

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



2025
ANNUAL REPORT



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CORPORATE INFORMATION

SHARE INFORMATION

Listing place : Main Board of the Stock Exchange of
Hong Kong Limited
Stock code : 03303
Listing date : 21 September 2006
Stock name : Jutal Oil Ser
Issued shares : 2,132,484,389 ordinary shares
Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (Chairman)
Mr. Tang Hui (President)

Independent non-executive directors

Ms. Choy So Yuk, *B.B.S., J.P.*
Mr. Cheung Ngar Tat Eddie
Mr. Tam Kin Yip
Mr. Zhang Hua

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY REPRESENTATIVE

Mr. Tang Hui
Ms. Leung Fung Yee Alice

COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor
No. 9 Queen's Road Central
Hong Kong

HEADQUARTER 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

18th Floor
No. 9 Queen's Road Central
Hong Kong

As to PRC law:

Deheng Law Offices (Shenzhen)

11F, Block B, Anlian Building
No. 4018, Jintian Road
Futian 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

Grant Thornton Hong Kong Limited

Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Suntera (Cayman) Limited

Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

INVESTOR ENQUIRY

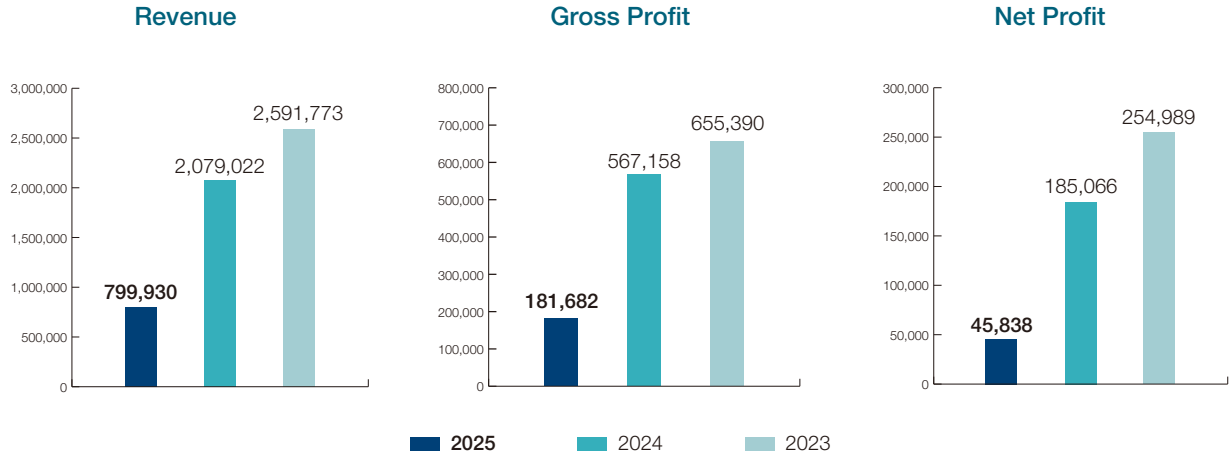
Investor Relations

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'000)



2. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share were RMB2.22 cents and RMB2.21 cents respectively in 2025.

3. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025.



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the “Board”) of Jutal Offshore Oil Services Limited (the “Company”), I am pleased to present the annual report of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2025 to the shareholders.

BUSINESS REVIEW

2025 was a year of changes and resilience, marked by profound transformations and complex uncertainties. The global economy continued to operate on a subdued level amidst multiple challenges. With intensified competition among major powers and persistent geopolitical conflicts, emerging markets and developing economies became the core drivers of growth. The energy industry sought a balance between ensuring secure supply and advancing the green transition.

According to the World Energy Investment 2025 report from the International Energy Agency (IEA), total global energy investment is projected to reach US\$3.3 trillion in 2025, of which US\$2.2 trillion will be invested in clean energy and US\$1.1 trillion in fossil fuels. Investment in clean energy is expected to reach twice that of fossil fuels for the first time. Wind power and photovoltaic power generation are expected to account for more than 90% of the growth in global electricity demand for the year. China continues to be the world's largest energy investor, accounting for over 30% of global energy investment. China's share of clean energy investment has risen from 25% in 2015 to nearly one-third, primarily due to strategic investments in technologies such as solar and wind power.

As a comprehensive energy equipment manufacturer and service provider, the Group has actively pursued its transformation towards EPC (Engineering, Procurement, and Construction) general contracting and offshore wind power equipment construction in recent years by leveraging its long-standing experience in large-scale module construction and offshore engineering construction. The Group continued to increase investment in various aspects such as site facilities, business development, design and construction, aimed at upgrading existing hardware, resolving operational bottlenecks, bolstering customer confidence, improving its bidding success rate, and enhancing the competitiveness of its sites in wind power equipment production and offshore engineering sectors.

At the end of 2024, the Ministry of Natural Resources of the PRC released a development plan for deep-sea offshore wind power resources, and coastal provinces also unveiled numerous investment plans for offshore wind farms. Most of the planned future deep-sea wind farms will feature large high-voltage direct current (HVDC) converter stations. Such large converter stations impose extremely high requirements on site equipment, facilities and construction capabilities. Currently, only a few of domestic construction sites, including those of the Group, can meet the construction and delivery requirements, thereby bringing new opportunities for the Group's business development.

CHAIRMAN'S STATEMENT

In 2025, the Group undertook several offshore wind power equipment manufacturing projects. Notwithstanding various difficulties and challenges, and through relentless efforts, it secured a bid for a large converter station module project of approximately 28,000 tonnes at the end of the year. Winning this project represents a pivotal milestone for the Group's future development of its domestic wind power business.

In the fourth quarter of 2025 and early February 2026, the Group also achieved a historic breakthrough in its EPC general contracting business for offshore oil and gas engineering and the EPC general contracting business for the topside modules of offshore floating production units, winning several projects which were tendered in 2025 with a total contract amount of approximately US\$550 million (equivalent to approximately RMB3.8 billion).

Given that the current site conditions and facilities are insufficient to meet the requirements of new and future potential projects, and to enhance its chances of successfully undertaking large-scale projects, the Group further upgraded and renovated the site. The upgrading works include the construction of a new quay, the addition of new workshops, and the enhancement of other existing equipment and facilities. In the first half of 2025, the Group commenced the construction of Quay#2 at the Zhuhai site, which involves building a 50,000-tonne general berth. Upon completion and commissioning, the Quay#2 at the Zhuhai site will significantly strengthen the Zhuhai site's core competitiveness in offshore oil and gas equipment manufacturing, module shipment, and international logistics services, enabling the Group to expand its international market presence and provide more efficient manufacturing and shipment services for medium-to-large modules and offshore wind power equipment. In addition, the Group will add facilities such as large gantry cranes to enhance construction capabilities.

Due to delays in the progress of some tracked projects and the negative impact of international economic and political factors on overseas markets, the workload of the Group's construction sites during the reporting year was relatively insufficient. Confronted with market volatility, the Group actively adjusted its operating strategies, studied and implemented risk control measures, and continued to strengthen cost and expense management.

On 14 October 2025, Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司) ("Penglai Jutal"), a wholly-owned subsidiary of the Group, formally submitted a written application to the Office of Foreign Assets Control ("OFAC") of the United States Department of the Treasury for removal from the Specially Designated Nationals and Blocked Persons List ("SDN List"). Currently, Penglai Jutal and its professional lawyers are preparing responses to inquiries from the U.S. Department of State, following earlier communications conducted by legal counsel on specific matters.

PROSPECTS

In 2026, the global energy industry will continue to make solid strides in coordinated advancement of security, green development, and innovation. The security, resilience, flexibility, and adjustability of energy systems are becoming key metrics for measuring economic competitiveness. Although total energy investment is growing, geopolitical tensions and economic uncertainties remain major challenges, and ensuring the reliability, affordability, and sustainability of global energy supplies is of paramount importance.

According to the "Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China", by the end of the "15th Five-Year Plan" (2030), the national cumulative grid-connected installed capacity of offshore wind power will reach 100GW or more. As at the end of 2025, the cumulative installed capacity of offshore wind power in China was 47GW, implying that installed capacity will double in the next five years. The plan explicitly outlines a comprehensive strategy to develop offshore wind power bases across the four major sea areas of the Bohai Sea, the Yellow Sea, the East China Sea, and the South China Sea, achieving coordinated development from nearshore to far-offshore regions, while promoting deep-sea development in a regulated and orderly manner.

* For identification purpose only

Global demand for offshore wind power is expected to be robust in 2026, with a projected increase of over 40% in new offshore wind installations in China. Overseas offshore wind power markets will also see steady growth in orders and construction demand, and jackets and floating foundations for deep-sea projects will gradually move towards commercial deployment.

According to relevant forecasts, investment in global offshore oil and gas development projects in 2026 will remain at historically high levels. In the recommendations for the “15th Five-Year Plan”, China explicitly stated the need to “accelerate the building of a strong maritime country”, requiring the country to consolidate and enhance the advantages of its marine equipment manufacturing industry, enhance the resilience and self-reliance of the industrial chain, and strengthen industrial foundation reconstruction and achieve breakthroughs in key technical equipment.

Looking forward, numerous market opportunities exist, but competition will intensify. The Group will also invest more resources strategically and operationally in future market development. By building a robust marketing team integrating technical support with market development, the Group aims to forge a competitive edge. It will closely monitor domestic and international market dynamics, strengthen communication and collaboration with partners, explore innovative cooperation models, and develop sustainable markets.

Leveraging the technology and experience accumulated in the offshore engineering, the Group is committed to tapping into the high value-added module market, providing customized module solutions, and optimizing its business mix. The Group will continue to actively promote and develop its EPC business while collaborating with external professional forces on design optimization, to enhance the competitiveness of its project solutions and improve overall profitability.

As of the date of this report, the Group’s total contracts in hand amounted to approximately RMB4.7 billion, mainly from EPC general contracting project. The ongoing projects are currently at the preliminary design and procurement stages, with construction work gradually commencing in the second quarter. In the first half of 2026, the Group’s sites continued to experience a relative shortage of workload, followed by a period of intensive construction. In addition, some of the projects are of new business types undertaken by the Group. These factors present challenges to the construction sites in terms of personnel organization, resource allocation, capacity coordination, project operations, capital management, operation mechanisms, and completion and delivery. The Group will also continue to undertake site construction and updates in the coming year to meet capacity demands.

Looking ahead, the Group will be committed to consolidating its foundation. Key priorities include enhancing design capabilities, the systematic establishment of a process innovation and R&D system, and the improvement of manufacturing system management. We will foster team development, refine management models, and improve performance and appraisal mechanisms to fortify our core competitiveness. By swiftly adapting to and fulfilling project requirements while consistently ensuring customer satisfaction, we aim to drive operational performance through strategic objectives, to effectively address challenges and to create further room for the Group’s long-term growth.

By Order of the Board

WANG Lishan

Chairman

Hong Kong, 27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Revenue

As compared with last year, the workload of the Group's construction sites decreased remarkably. In year 2025, the Group recorded a revenue of approximately RMB799,930,000 representing a decrease of 61.52% or RMB1,279,092,000 as compared with that of year 2024. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries decreased by 67.78% or RMB1,249,269,000 as compared with that of year 2024. Revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries decreased by 12.61% or RMB29,719,000 as compared with that of year 2024, and other revenue decreased by 34.78% or RMB104,000 as compared with that of year 2024.

The table below sets out the analysis of revenue by business segments for the years 2025, 2024 and 2023 respectively:

Business Segments	For the financial year ended 31 December					
	2025		2024		2023	
	RMB'000	Percentage to total revenue (%)	RMB'000	Percentage to total revenue (%)	RMB'000	Percentage to total revenue (%)
1 Fabrication of facilities and provision of integrated services for oil and gas industries	593,865	74	1,843,134	92	2,377,445	91
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	205,870	26	235,589	8	202,916	8
3 Others	195	-	299	-	11,412	1
Total	799,930	100	2,079,022	100	2,591,773	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB618,248,000 in year 2025, representing a decrease of approximately 59.11% or approximately RMB893,616,000 as compared with RMB1,511,864,000 in year 2024. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB402,238,000, representing approximately 65.06% of the total cost of sales and services, and a decrease of approximately RMB893,532,000 or approximately 68.96% from RMB1,295,770,000 of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services varies from project to project. Manufacturing overheads have decreased by approximately RMB84,000 or 0.04% from RMB216,094,000 in last year to approximately RMB216,010,000 in year 2025.

Gross profit

The total gross profit of the Group for the year 2025 amounted to approximately RMB181,682,000, representing a decrease of approximately 67.97% or approximately RMB385,476,000 as compared with RMB567,158,000 in year 2024. The overall gross profit margin dropped to approximately 22.71% from 27.28% of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and gas industries rose from 24.45% in year 2024 to approximately 41.59%. The fabrication of facilities and provision of integrated services for new energy and refining and chemical industries recorded a loss in 2025, with a gross loss rate of approximately 31.71%. The gross loss margin of other businesses dropped from 146.15% in year 2024 to a gross loss rate of approximately 2.05%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. In addition to changes in business composition, the decrease in the overall gross profit margin was mainly due to a significant reduction in the workload at the Group's construction sites this year, which led to a substantial decline in recognized contract revenue, while the indirect manufacturing costs of these sites have not decreased proportionally.

The following shows the breakdown of gross profit/(loss) by business segments for the years 2025, 2024 and 2023 respectively:

Business Segments	For the financial year ended 31 December								
	2025			2024			2023		
	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)
1 Fabrication of facilities and provision of integrated services for oil and gas industries	246,973	42	136	450,711	24	79	532,312	22	81
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	(65,287)	(32)	(36)	116,884	50	21	122,629	60	19
3 Others	(4)	(2)	-	(437)	(146)	-	449	4	-
Total	181,682		100	567,158		100	655,390		100

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income of the Group in year 2025 amounted to approximately RMB31,080,000, mainly comprising income from government grants and interest income from bank deposits.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate decreased by approximately 61.92% or approximately RMB225,934,000 as compared with that of year 2024 to approximately RMB138,969,000. Among them, the administrative expenses decreased by approximately RMB183,948,000 as compared with that of year 2024, primarily resulting from the decrease in the accrued employee compensation and no share-based payment expenses were generated during the reporting period. Other operating expenses decreased by approximately RMB41,986,000.

Finance costs

Finance costs in aggregate amounted to approximately RMB6,082,000 in year 2025, which was mainly comprised of interests on bank borrowings of approximately RMB4,037,000 and bank charges and other finance costs of approximately RMB2,045,000.

Profit attributable to owners of the Company and profit per share

In summary, in year 2025, profit attributable to owners of the Company amounted to approximately RMB45,838,000 (2024: RMB185,066,000). Basic and diluted earnings per share attributable to owners of the Company for year 2025 was approximately RMB2.22 cents and RMB2.21 cents respectively.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB665,681,000 (2024: RMB785,161,000). During the year, net cash outflow from operating activities amounted to approximately RMB52,856,000, net cash outflow from investing activities amounted to approximately RMB134,909,000, and net cash inflow from financing activities amounted to approximately RMB76,915,000.

As at 31 December 2025, the Group had approximately RMB460,066,000 (2024: RMB200,000,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc.

As at 31 December 2025, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB305,164,000 (2024: RMB270,100,000).

3. CAPITAL STRUCTURE

As of 31 December 2025, the share capital of the Company comprises 2,132,484,389 ordinary shares (2024: 2,131,598,389 ordinary shares). As at 31 December 2025, net assets of the Group amounted to approximately RMB2,187,750,000 (2024: RMB2,175,401,000), comprising non-current assets of approximately RMB1,479,397,000 (2024: RMB1,364,899,000), net current assets of approximately RMB930,913,000 (2024: RMB903,423,000) and non-current liabilities of approximately RMB222,560,000 (2024: RMB92,921,000).

4. SIGNIFICANT INVESTMENT

In the year, the renovation works of the west factory area of Penglai site was completed, and based on market conditions and future development plans, the Group further upgraded the equipment and facilities at the Penglai site.

At the same time, the Group has also initiated the construction of Quay #2 at the Zhuhai site, and planning to build a 50,000-tonne general-purpose berth, with an estimated total investment of approximately RMB200 million.

Except as mentioned above, during the year ended 31 December 2025, the Group had no other significant investments, acquisitions or disposals.

5. FOREIGN EXCHANGE RISK

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

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2025, approximately RMB69,044,000 (2024: RMB64,618,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance, etc.

7. CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

8. CAPITAL MANAGEMENT

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

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

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

The gearing ratios at 31 December 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Bank and other borrowings	199,601	86,458
Lease liabilities	13,176	20,486
Total equity	2,187,750	2,175,401
Gearing ratio	9.73%	4.92%

The increase in gearing ratio for the period resulted mainly from the increase in bank borrowings. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had total 1,859 employees (31 December 2024: 2,181 employees), of which 807 (31 December 2024: 967) were management and technical staff, and 1,052 (31 December 2024: 1,214) were technicians.

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Lishan (王立山), aged 66, is an executive director and chairman of the Company. He graduated from Dalian Polytechnic University (大連理工大學) in 1982 with a bachelor's degree in offshore oil construction engineering. Mr. Wang has rich experience of management and administration in the oil and gas industries. Prior to joining the Group, he worked in Bohai Petroleum Company Platform Manufacturing Factory* (渤海石油公司平台製造廠) from 1982 to 1988 and Offshore Oil Company of Bohai Oil Company* (渤海石油公司) from 1988 to 1995. Mr. Wang currently also serves as director of several subsidiaries of the Group. He is the founder of the Group, and was appointed as an executive director of the Company in November 2005.

Mr. Tang Hui (唐暉), aged 53, is an executive director and president of the Company. He graduated from Luoyang Institute of Technology (洛陽工學院) with a bachelor's degree in vehicle engineering. Mr. Tang joined the Group in 2000, and has served as engineer, project manager, and general manager of the Group's offshore oil and gas services business sector and vice president of the Company. He had been an executive director of the Company since 1 March 2016 to 25 August 2017, and since 8 June 2018 to 10 April 2020. Mr. Tang currently also serves as director of several subsidiaries of the Group. Prior to joining the Group, Mr. Tang had worked in Hunan Energy Group Co., Ltd.* (湖南動力集團有限責任公司) and Hong Kong Far East Steel Engineering Co., Ltd.* (香港遠東鋼鐵工程有限公司). Mr. Tang was appointed as an executive director of the Company in June 2024.

Independent non-executive Directors

Ms. Choy So Yuk (蔡素玉), *B.B.S., J.P.*, aged 75, is an independent non-executive director of the Company, Ms. Choy obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively and was a deputy of the 11th, 12th and 13th National People's Congress of the People's Republic of China. She was a member of the Legislative Council of Hong Kong from 1998 to 2008, was appointed the Justice of the Peace in 2005 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administration Region, the People's Republic of China in 2013. Ms. Choy is currently an independent non-executive director of Best Mart 360 Holdings Limited (Hong Kong stock code: 2360). She was also an independent non-executive director of Silk Road Logistics Holdings Limited (絲路物流控股有限公司) (Hong Kong stock code: 988) from 5 June 2009 to 11 September 2023, and Evershine Group Holdings Limited (永耀集團控股有限公司) (Hong Kong Stock Code: 8022) from 12 May 2015 to 12 January 2021. Ms. Choy was appointed as an independent non-executive director of the Company in June 2022.

Mr. Cheung Ngar Tat Eddie (張雅達), aged 55, is an independent non-executive director of the Company. Mr. Cheung has more than 20 years of experience in finance and accounting. He graduated from University of Wales College of Cardiff, United Kingdom with a Bachelor of Science in Accounting in 1994 and had served in PricewaterhouseCoopers Limited. Mr. Cheung was an assistant manager in the audit department of RSM Nelson Wheeler and mainly responsible for formulating audit procedures for listed companies in different industries, leading and guiding the audit team to carry out audit field works, and reporting the work progress to the audit partners in-charge on a regular basis, preparing audit finding report after completing the audit and presented to the audit committee of the listed company. He had been also responsible to formulate transaction plans and suggestions for mergers and acquisitions of corporate clients and assisted in the due diligence of target companies. Mr. Cheung had been the accounting manager of a multinational trading company and, responsible for formulating and supervising the risk management and set up internal control system of the finance department of the group and its subsidiaries, as well as guiding the work flow of the finance department of each subsidiary, preparing the monthly consolidated financial statements of the group and reporting to the board of directors. Mr. Cheung was the founder of a corporate finance consulting company in 2000. Mr. Cheung through such vehicle has provided services to Chinese enterprises for overseas financing and listing for the period from 2000 to 2003. He was the senior project manager and head of corporate restructuring of the corporate finance department in a Hong Kong legal firm from January 2003 to January 2020 and responsible for corporate and business restructuring and restructure for listing purpose. Mr. Cheung was appointed as an independent non-executive director of the Company in June 2022.

* For identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam Kin Yip (譚健業), aged 51, is an independent non-executive director of the Company. He is a practicing Barrister-At-Law in Hong Kong and has rich experience in litigation. Mr. Tam was an independent non-executive director of Shunten International (Holdings) Limited (順騰國際(控股)有限公司) (Hong Kong Stock Code: 932) since 7 March 2017 to 1 September 2022. Mr. Tam was appointed as an independent non-executive director of the Company in August 2021.

Mr. Zhang Hua (張華), aged 63, is an independent non-executive director of the Company. Mr. Zhang is a professor in the Department of Finance in The Chinese University of Hong Kong, and has extensive experience in executive training. His main research interests are in investments, capital markets, corporate finance and fixed income and derivative securities. Mr. Zhang obtained a bachelor degree in engineering from Tianjin University, and a master degree in business administration and a Ph.D. degree in Finance from McGill University. He also serves as an independent non-executive director and a member of audit committee of Sinomedia Holding Limited (中視金橋國際傳媒控股有限公司) (Hong Kong Stock Code: 623). Mr. Zhang was appointed as an independent non-executive director of the Company in January 2024.

AUTHORISED REPRESENTATIVE AND COMPANY SECRETARY

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

SENIOR MANAGEMENT

Mr. Chen Xinzhou (陳新周), aged 46, is the chief financial officer of the Company. He graduated from Northwest University (西北大學) with a bachelor's degree in accounting in 2003. Mr. Chen Joined the Group in 2006 and has served as senior accountant, finance manager and deputy general manager of the Group's subsidiaries. Mr. Chen currently also serves as director of several subsidiaries of the Group. Prior to joining the Group, Mr. Chen had worked in Airmate Electric (Shenzhen) Co., Ltd.* (艾美特電器(深圳)有限公司) and Dawn Optoelectronics (Dongguan) Co., Ltd.* (敦樸光電(東莞)有限公司).

* For identification only

DIRECTORS' REPORT

The Directors present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

DIRECTORS' REPORT

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

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

POLICIES ON HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION AND THE PERFORMANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is primarily conducted through its subsidiaries in Mainland China, and has also established overseas subsidiaries and associated companies, all of which are required to comply with the relevant laws and regulations in their respective jurisdictions. The Group continuously monitors newly enacted laws and regulations, as well as amendments to existing laws and regulations, for their potential impact on the Group's operations, and takes appropriate measures after assessment.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's share premium reserve of approximately RMB1,348,203,000 (subject to section 34 of the Companies Act of the Cayman Islands and the Company's Articles of Association) can be distributed to shareholders of the Company (the "Shareholders") after deducting the accumulated losses of approximately RMB139,165,000.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position.

DIRECTORS' REPORT

RESULTS AND DIVIDEND

Details of the Group's results for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 49.

The Board does not recommend the payment of final dividend for the year ended 31 December 2025.

DONATIONS

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

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

In 2025, the authorised share capital of the Company is HK\$40,000,000 (comprising 4,000,000,000 ordinary shares).

During the year 2025, 886,000 ordinary shares were issued by exercising share options under the Company's share option scheme, and the total amount received was HK\$425,280.

As at 31 December 2025, the share capital of the Company comprised of 2,132,484,389 ordinary shares (2024: 2,131,598,389 ordinary shares).

Details of the movements of the Company's share capital during the year are set out in note 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year 2025 or subsisted at the end of 2025.

USE OF THE RAISED PROCEEDS

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

The net proceeds from the Subscription were approximately HK\$962,000,000. As at 31 December 2025, the raised fund has been used as follows:

Plan of use of proceeds from the Subscription as stipulated in the circular of the Company dated 11 May 2017	Use of proceeds from the Subscription as at 31 December 2025	Plan of use of the outstanding balance of the proceeds from the Subscription
(1) Approximately HK\$500 million for the working capital in EPIC projects; and in built – transfer projects relating to the oil and gas equipment and facilities	All has been used as planned	–
(2) Approximately HK\$250 million for the capital expenditure in improving and expanding the production facilities and office facilities in the Group’s Zhuhai operation	All has been used as planned	–
(3) Approximately HK\$212 million for the general working capital of the Group	All has been used as planned	–

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

The net proceeds from the 2024 Placing were approximately HK\$61,509,000. As at 31 December 2025, the raised fund has been used as follows:

Plan of use of proceeds from the 2024 Placing as stipulated in the announcement of the Company dated 15 February 2024	Use of proceeds from the 2024 Placing as at 31 December 2025	Plan of use of the outstanding balance of the proceeds from the 2024 Placing
(1) Approximately HK\$44,902,000 for Zhuhai Quay#2 construction at the existing Zhuhai site	All has been used as planned	–
(2) Approximately HK\$16,607,000 for the general working capital of the Group	All has been used as planned	–

DIRECTORS' REPORT

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 136 of the annual report.

SHARE SCHEME

I. Share Option Scheme

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

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

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

The general scheme limit of the 2016 Share Option Scheme has been further refreshed and approved by Shareholder's resolution at the Company's annual general meeting held on 27 May 2022. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 168,130,638 shares, representing 10% of the shares (1,681,306,389 shares) in issue on the date of the said annual general meeting and approximately 6.76% of the shares (2,488,835,287 shares) on the date of this report.

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

The amendments to Chapter 17 of the Listing Rules have come into effect on 1 January 2023. In order to comply with such amendments, the 2016 Share Option Scheme was terminated and the Company's 2024 share option scheme ("2024 Share Option Scheme") was adopted by Shareholder's resolutions at the Company's annual general meeting held on 11 June 2024 with a valid period of 10 years commencing on the date of adoption. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 213,159,838 shares, representing 10% of the shares in issue (2,131,598,389 shares) on the date of the said annual general meeting and approximately 8.56% of the shares (2,488,835,287 shares) on the date of this report.

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

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

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

The remaining life of the 2024 Share Option Scheme is approximately 8 years and 2 months as at the date of this annual report.

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

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

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

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of the share of the Company on the date of grant.

DIRECTORS' REPORT

From 1 January 2018 to 31 December 2025, the Board approved to grant and the Company has granted options to Directors and other eligible participants. Details of the options granted are as follows:

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

Name of grantee	Number of options as at 1 January 2025	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 or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2025	Shareholding percentage of the underlying shares for the Options in the share capital of the Company (Note)
Directors:							
Wang Lishan	2,300,000	-	-	-	-	2,300,000	0.108%
Tang Hui	1,500,000	-	-	-	-	1,500,000	0.070%
Other Employees	26,400,000	-	-	-	-	26,400,000	1.238%
Total	30,200,000	-	-	-	-	30,200,000	1.416%

Note: The percentage is calculated on the basis of 2,132,484,389 Shares in issue as at 31 December 2025.

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

Name of grantee	Number of options as at 1 January 2025	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 or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2025	Shareholding percentage of the underlying shares for the Options in the share capital of the Company (Note)
Directors:							
Tang Hui	146,000	–	–	–	–	146,000	0.007%
Other Employees	1,543,000	886,000	0.53	–	–	657,000	0.031%
Total	1,689,000	886,000	–	–	–	803,000	0.038%

Note: The percentage is calculated on the basis of 2,132,484,389 Shares in issue as at 31 December 2025.

DIRECTORS' REPORT

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

Name of grantee	Number of options as at 1 January 2025	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 or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2025	Shareholding percentage of the underlying shares for the Options in the share capital of the Company (Note)
Directors:							
Tang Hui	8,000,000	-	-	-	-	8,000,000	0.375%
Choy Suk Yuk	1,800,000	-	-	-	-	1,800,000	0.084%
Cheung Ngar Tat Eddie	1,800,000	-	-	-	-	1,800,000	0.084%
Tam Kin Yip	1,800,000	-	-	-	-	1,800,000	0.084%
Other Employees	105,800,000	-	-	-	-	105,800,000	4.963%
Total	119,200,000	-	-	-	-	119,200,000	5.590%

Note: The percentage is calculated on the basis of 2,132,484,389 Shares in issue as at 31 December 2025.

There is no performance target attached to the options granted.

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

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

The number of options available for grant under the Share Option Schemes at the 1 January 2025 and 31 December 2025 are 213,159,838.

The number of shares that may be issued in respect of option granted under all schemes of the Company during the year 2025	The weighted average number of shares in issue of the Company for the year 2025	Percentage
150,203,000	2,066,855,671	7.31%

II. Share Award Plan

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

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

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

DIRECTORS' REPORT

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

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

The maximum number of awarded shares that may be awarded by the Board or the Committee under the Share Award Plan in aggregate shall be no more than 426,319,677 shares, which is 20% of the number of shares (2,131,598,389 shares) issued as at the Adoption Date and 17.13% of the number of shares (2,488,835,287 shares) issued as at the date of this report.

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

The remaining life of the Share Award Plan is approximately 7 years and 11 months as at the date of this annual report.

No share award granted during the year ended 31 December 2025.

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. Tang Hui	24 June 2024	–	–
Independent			
Non-executive Directors	Date of appointment	Date of resignation	Reason of resignation
Mr. Tam Kin Yip	18 August 2021	–	–
Ms. Choy So Yuk	3 June 2022	–	–
Mr. Cheung Ngar Tat Eddie	3 June 2022	–	–
Mr. Zhang Hua	12 January 2024	–	–

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

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

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

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

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

Other than as disclosed in note 16 and note 48 to the consolidated financial statements, no transaction, arrangements and contract of significance in relation to the Group's business to which the Company, its subsidiaries were a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS INTERESTS IN COMPETING BUSINESSES

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

REMUNERATION OF THE FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

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

DIRECTORS' 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 2025, the interests and short positions of each Directors and chief executive in the shares, underlying shares and debentures of the company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules, were as follows:

Name of Directors	Nature of interest	Number of Share Options held (Note 1)	Number of Shares interested (Note 1)	Approximate percentage of issued share capital of the Company (Note 4)
Wang Lishan	Interest of a controlled Corporation (Note 2)	–	396,911,278 (L)	18.61%
	Beneficial owner		49,628,000 (L)	2.33%
	Beneficial owner (Note 3)	2,300,000 (L)		0.11%
		2,300,000 (L)	446,539,278 (L)	21.05%
Tang Hui	Beneficial owner		9,000,000 (L)	0.42%
	Beneficial owner (Note 3)	9,646,000 (L)		0.45%
		9,646,000 (L)	9,000,000 (L)	0.87%
Choy So Yuk	Beneficial owner (Note 3)	1,800,000 (L)	–	0.08%
Cheung Ngar Tat Eddie	Beneficial owner (Note 3)	1,800,000 (L)	–	0.08%
Tam Kin Yip	Beneficial owner (Note 3)	1,800,000 (L)	–	0.08%

Notes:

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

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

(3) These underlying Shares represent the interests in share options granted to each of the relevant grantees under the 2016 Share Option Scheme to subscribe for Shares.

(4) The percentage is calculated on the basis of 2,132,484,389 Shares in issue as at 31 December 2025.

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 2025, 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	Nature of interest	Number of Share Options held	Number of Shares interested	Approximate percentage of issued share capital of the Company (Note 1)
Sanju Environmental Protection (Hong Kong) Limited	Beneficial owner (Note 2)	–	641,566,556 (L)	30.09%
Beijing Haixin Energy Technology Co., Ltd.* (北京海新能源科技股份有限公司)	Interest of a controlled corporation (Note 2)	–	641,566,556 (L)	30.09%
Cheung Hing Investments Limited	Beneficial owner (Note 3)	–	396,911,278 (L)	18.61%
Wang Lishan	Interest of a controlled corporation (Note 3)	–	396,911,278 (L)	18.61%
	Beneficial owner		49,628,000 (L)	2.33%
	Beneficial owner	2,300,000 (L)		0.11%
		2,300,000 (L)	446,539,278 (L)	21.05%
Capital Pilot Limited	Person having a security interest in shares (Note 4)	–	161,995,555 (L) 161,995,555 (S)	7.60%
Shiu Shu Ming	Interest of a controlled Corporation (Note 4)	–	161,995,555 (L) 161,995,555 (S)	7.60%
Lo Chun Yim	Interest of a controlled corporation (Note 5)	–	161,995,555 (L) 161,995,555 (S)	7.60%
Golden Talent (HK) Technology Co., Limited	Beneficial owner (Note 5)	–	161,995,555 (L) 161,995,555 (S)	7.60%

DIRECTORS' REPORT

Notes:

- (1) The letters "L" denotes a long position and the letters "S" denotes a short position in the Shares respectively.
- (2) These Shares are held by Sanju Environmental Protection (Hong Kong) Limited, which is wholly-owned by Beijing Haixin Energy Technology Co., Ltd. (北京海新能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300072).
- (3) These Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.
- (4) These Shares are held by Capital Pilot Limited, which is wholly-owned by Mr. Shiu Shu Ming.
- (5) These Shares are held by Golden Talent (HK) Technology Co., Limited, which is beneficially and wholly-owned by Mr. Lo Chun Yim.
- (6) These percentage is calculated based on the total number of 2,132,484,389 shares issued as at 31 December 2025.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 63.26% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 21.28% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 28.36% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 15.86% of the Group's total purchases.

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

CONNECTED TRANSACTIONS

The Group's related parties or related party transactions for the year ended 31 December 2025 set out in note 48 to the consolidated financial statements constitute connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

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 2025. As at 31 December 2025, 48.55% of the total issued Shares of the Company were held in public hands (as defined in the Listing Rules).

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the year ended 31 December 2025. The Company has maintained liability insurance to provide appropriate cover for the Directors.

AUDITOR

Grant Thornton Hong Kong Limited was re-appointed as the auditor of the Company upon approval by the shareholders at the Company's last annual general meeting. The Board confirms that there has been no change in the auditor since the appointment on 28 June 2023.

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

On behalf of the Board

WANG Lishan

Chairman

Hong Kong, 27 March 2026

CORPORATE GOVERNANCE REPORT

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

In the opinion of the Directors, the Company has complied with the Corporate Governance Codes of the Listing Rules for the year ended 31 December 2025, save for the deviations from the code provisions as follows:

Under code provision D.1.2, Management should provide all members of the board with, and the board and each director are entitled to and should request for, monthly updates giving a balanced and understandable assessment of the issuer’s financial and operating performance, position and prospects in sufficient detail.

The Company provides Mr. Tang Hui with monthly updates instead of all board members, because he is responsible for overseeing the financial affairs of the Company. The remaining Directors have access to the monthly updates as well. The reason for such deviation from the Corporate Governance Code is to enhance the Company’s efficiency. Directors also received management reports including the above at the relevant board meetings.

BOARD

The names and terms of services of the Directors in office during 2025 and up to the date of this report are set out in the Directors’ Report contained in this Annual Report. The brief biographies of the current Directors are set out in the Directors and Senior Management section of this Annual Report.

The Company’s Board of Directors currently comprises two executive directors and four independent non-executive directors. The Board considers that there is a balanced composition of executive and non-executive directors (including independent non-executive directors), enabling effective independent judgment.

Mr. Zhao Wuhui and Mr. Zhang Hua were appointed as an executive director and an independent non-executive director of the Company on 12 January 2024 respectively, and each obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 12 January 2024. Mr. Zhao Wuhui resigned as a director on 18 December 2024.

Mr. Tang Hui was appointed as an executive director of the Company on 24 June 2024, and obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 June 2024.

Mr. Zhao Wuhui, Mr. Zhang Hua and Mr. Tang Hui confirmed that they understood their obligations as directors of the Company.

In year 2025, Mr. Wang Lishan was the chairman, and Mr. Tang Hui was the president of the Company. The roles of chairman and the president are segregated and not exercised by the same individual.

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

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

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

The Board decides on material affairs of the Company such as the resolution of budget, resolution of profits allocation, significant investments and acquisitions, issue of new shares, amendments to the articles of association and appointments to senior management of the Company. The Company's day-to-day operations, administrative management and business activities are jointly led by the Board and the senior management. Relevant operational and management decisions are made by the executive Directors and senior management in accordance with applicable laws, with corresponding approval authorities documented in writing. At the beginning of each year, the Board reviews the implementation of the operating budget for the previous year, and discusses and approves the Group's operating budget for the following year. The management also provides the Board with sufficient explanations and adequate information. All material changes in operations and investment decisions are fully discussed by the Board. The Board grants sufficient delegation of authority to the management enabling them to properly perform their day-to-day administrative and management functions. When the Board makes such delegation, clear guidelines are provided, particularly in circumstances where the management is required to report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

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

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

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

CORPORATE GOVERNANCE REPORT

THE DIRECTORS' ATTENDANCE AT THE MEETING

During the year 2025, the Board held 9 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 2025 is set out in the table below:

Name of Directors	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Wang Lishan	9/9	–	–	1/1	1/1
Mr. Tang Hui	9/9	–	1/1	–	1/1
Ms. Choy So Yuk	8/9	3/3	1/1	1/1	1/1
Mr. Cheung Ngar Tat Eddie	8/9	3/3	1/1	1/1	1/1
Mr. Tam Kin Yip	8/9	3/3	1/1	1/1	1/1
Mr. Zhang Hua	8/9	3/3	–	–	1/1

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Directors participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. During the year, all Directors participated in continuous professional development on topics covered under Rules 3.09F and 3.09G of the Listing Rules through means such as self-study and external training. In addition, Ms. Choy So Yuk also attended training on anti-corruption and integrity, and Mr. Tam Kin Yip participated in the education of the HKSI Institute Practising Certificate (Securities). Their respective training hours are as follows:

	Self-study	External training	Total number of hours
Executive Directors			
Mr. Wang Lishan	10	–	10
Mr. Tang Hui	10	–	10
Independent non-executive Directors			
Ms. Choy So Yuk	8.5	1.5	10
Mr. Cheung Ngar Tat Eddie	18	–	18
Mr. Tam Kin Yip	30	–	30
Mr. Zhang Hua	30	–	30

DIRECTORS' SKILLS AND EXPERIENCE

The members of the Board possess the appropriate experience and skills required for the Company's business, and their diverse knowledge and experience bring a variety of perspectives to the Company.

	Strategic and administrative leadership capabilities	Industry expertise and experience	Professional financial management knowledge	Legal expertise
Executive Directors				
Mr. Wang Lishan	•	•		
Mr. Tang Hui	•	•	•	
Independent non-executive Directors				
Ms. Choy So Yuk	•		•	
Mr. Cheung Ngar Tat Eddie	•		•	
Mr. Tam Kin Yip	•		•	•
Mr. Zhang Hua	•		•	

AUDIT COMMITTEE

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

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

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

The audit committee reviewed and discussed with management and external independent auditor on the Company's consolidated financial statements for the year ended 31 December 2025. The audit committee also received reports and discuss the audit work with the independent auditor.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference which deal clearly with its duties. During the reporting year, the remuneration committee comprises of Mr. Tang Hui, an executive director, and three independent non-executive Directors, which are Ms. Choy So Yuk, Mr. Cheung Ngar Tat Eddie and Mr. Tam Kin Yip. Ms. Choy So Yuk is the chairman of the remuneration committee. The primary duties of the remuneration committee (inter alia) are to review and make recommendations to the Board on the Company's policy and structure for directors' and senior management remuneration and their individual remuneration package.

The Group's emolument policies are as follows:

- (i) the amount of remuneration of directors and chief executive officer shall be recommended by the Remuneration Committee after taking into account the Company's operations, personal roles and comparable market statistics, and determined by the Board;
- (ii) the remuneration package of employees is determined individually by the management according to the industry and market level, their personal relevant experience, responsibilities, workload and years of service in the Group;
- (iii) the Directors or the eligible participants under the share schemes of the Company may be granted, at the discretion of the Board or the committee duly authorized by the Board, the share options or share awards as part of their remuneration package; and
- (iv) neither any individual nor any of their associates shall be involved in determining their own remuneration.

During the reporting year, the remuneration committee held one meeting to discuss and make recommendations on matters such as the remuneration policy, the annual review of remuneration of Directors and senior management.

NOMINATION COMMITTEE

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

During the year, one nomination committee meeting was held to review the structure and composition of the Board and the roles of Directors regularly by considering the issues of conflict of interest, their performance and conduct, assessing the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors at the annual general meeting.

COMPANY SECRETARY

Ms. Leung Fung Yee Alice was appointed as the Company Secretary in 2014. Her biographical details are set out in the section headed “Directors and Senior Management”. Ms. Leung is not an employee of the Company. During the year ended 31 December 2025, Ms. Leung attended relevant professional training for not less than 15 hours pursuant to Rule 3.29 of the Listing Rules.

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group’s key risk management objectives include identifying and analyzing various types of risks, formulating corresponding response strategies, and monitoring regulatory updates, market conditions and operational changes to identify, assess, monitor and mitigate various operational, financial and legal risks.

The Group has established a relatively comprehensive internal management system, and has put in place an internal control system and mechanisms relating to financial control, operational control and compliance monitoring, covering various aspects of the Company’s business, capital, finance, and corporate governance, so as to effectively identify and address risk situations, safeguard the Group’s assets, prevent and detect fraud, misconduct and losses, ensure the accuracy of the Company’s financial reports, and ensure compliance with applicable laws and regulations. The Company continuously reviews and evaluates its internal controls to ensure the safety and compliance of the Company, and that all reporting information is timely, accurate and complete.

The Group clearly defines the duties, responsibilities and authorities of each business unit, department and management personnel, and implements reporting, approval processes and accountability systems across all business processes to achieve compliant operations and effectively monitor all aspects of management. Each business unit is required to identify risks that may potentially affect the achievement of business objectives, and collaborate with management to analyze and assess the significance of such risks. The finance department is responsible for monitoring financial risks and providing recommendations on potential risks identified in the approval processes under its purview. Other management departments are required, within their respective responsibilities and authorities, to identify and assess various situations, monitor and evaluate potential risk factors, and may seek advice from professionals as necessary, and report in accordance with management procedures.

In terms of major risk identification and prevention, the Group has established a review system involving the business handling departments of each subsidiary, the finance and legal departments of each subsidiary and the Group, and the Group’s management, and reports significant matters to the Board of Directors for approval, so as to identify and control risks at each stage and ensure compliant operations.

CORPORATE GOVERNANCE REPORT

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

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

The Directors shall understand and continuously monitor the Group's production and operations, financial condition, and major events that have occurred or may occur, as well as their impact, and proactively investigate and obtain the information necessary for decision-making. After learning or becoming aware of matters requiring disclosure, relevant personnel shall promptly report to the management and the responsible Directors, assess and verify the relevant information and matters, conduct an internal evaluation of the matters involved and preliminary handling opinions, and seek professional advice if necessary. After completing the relevant internal procedures of the Company, the arrangements for information disclosure shall be determined, ensuring that the information disclosed is true, accurate, complete, timely and fair, and free from false statements, materially misleading representations or material omissions.

The Group strictly complies with national laws and regulations relating to anti-corruption, and conducts its business activities in accordance with high ethical standards. The Group's anti-corruption policies, ethical standards and requirements are clearly set out in the Employee Handbook, and systems such as the Code of Business Conduct have been established, requiring employees to maintain a high level of integrity in all business activities. The Group implements strict anti-corruption policies and a management system to prevent employees from engaging in corrupt or unethical conduct.

The Board conducted an annual review of the Group's risk management and internal control systems to assess their effectiveness. Management submitted an annual review report on internal control and risk management to the Board, and the auditor also provided recommendations regarding the internal control management system in its annual report to audit committee. During the reporting year, there were no significant changes to the Group's risk assessment (including environmental, social and governance risks) and its risk management and internal control systems. The Board required management to closely monitor and track the macro environment, promptly follow up and understand relevant developments, continuously monitor and evaluate the various risks faced by the Group's operations, strengthen internal control and management, report major events in a timely manner, and seek professional advice when necessary to meet compliance requirements.

The Board also considered the resources, staff qualifications and experience in the Group's accounting, internal audit, financial reporting functions, as well as those relating to environmental, social and governance performance and reporting. After review, the Board was of the view that, overall, the relevant staff had received appropriate training and were provided with sufficient budgets.

Following the review, the Board is in the view that overall, the Group's existing risk management and internal control systems were appropriate and effective in achieving the objectives set out in Principle D2 of the Corporate Governance Code.

ACCOUNTABILITY AND AUDIT

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

The statement of the external auditor of the Company on their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on page 43.

Grant Thornton Hong Kong Limited has been appointed as the Company's external auditor at the annual general meeting in 2025 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 2025 are as below:

	Fee paid/payable
	HK\$
Audit services	1,580,000
Non-audit services (agreed upon procedures on interim financial information)	200,000

DIVERSITY

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

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

The nomination committee of the Company will monitor the implementation of the policy from time to time and review the policy when appropriate to ensure its effectiveness.

The nomination committee of the Company has reviewed the board diversity policy and considers that in the process of recommending and appointing directors, emphasis should be placed on their professional experience, knowledge and skills, as well as the contributions they can make to the Company and the Board. The current composition of the Company's Board includes a female director, thereby achieving the Board's gender diversity objective.

The Group is committed to fostering a harmonious and inclusive working environment, values equal opportunities, diversity and anti-discrimination, and does not treat any employee or job applicant unfairly on the basis of age, gender, race, religion, marital status or disability. The Group has established a labor union to safeguard employees' rights and ensure that all employees are treated equally.

CORPORATE GOVERNANCE REPORT

As at 31 December 2025, the gender ratio of all employees of the Group (including senior management) is shown in the table below:

	Male	Ratio (%)	Female	Ratio (%)	Total
All employees	1,598	86%	261	14%	1,859
Include: senior management	2	100%	0	0%	2

Due to the nature of the Group's business, the technical workers engaged in labor are predominantly male, while female employees are primarily employed in various management and marketing roles. In view of this, the Group considers it unnecessary to set numerical targets or specific timelines for achieving gender diversity at present. The Group will endeavor to at least maintain the proportion of female staff in management positions, and will seize opportunities to gradually increase the proportion of female members when suitable candidates are identified.

SHAREHOLDERS' RIGHTS

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

According to the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and the foregoing members shall be able to add resolutions to the meeting agenda; and such meeting shall be held within two (2) months after the deposit of such requisition.

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

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

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting (a) every Member present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have the right to speak, (b) on a show of hands every Member present in such manner shall have one vote, and (c) on a poll every Member present in such manner shall have one vote for every fully paid share of which he is the holder.

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

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

INVESTOR RELATIONS

There is no significant change to the Memorandum and Articles of Association of the Company (“Memorandum and Articles of Association”) in year 2025. The latest version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

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

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

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

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

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

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

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

During the year, the Company released information to Shareholders in a timely and comprehensive manner through corporate communications, and updated company news, major events and activities on the company website in a timely manner. The Directors and senior management have also communicated with shareholders or potential investors (including institutional investors and individual investors) through other conferences and individual meetings. After review, the Company believes that the shareholder communication policy has been well implemented and achieved results during the year.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

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

During the reporting year, the Company declared an interim dividend of HK\$0.015 per share, representing a decrease of 50% compared to the 2024 interim dividend of HK\$0.03 per share, primarily taking into account factors such as future operating income, funding requirements and expenditure plans. The directors confirmed that all decisions made in relation to the dividend were in compliance with the Dividend Policy.

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 49 to 135, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

1. Goodwill impairment assessment
2. Recognition of revenue from construction contracts
3. Expected loss allowance on trade and bills receivables

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p>The Group's accounting policy on goodwill and the critical accounting estimates and judgements on goodwill impairment are described in notes 4.2, 4.29 and 5 respectively to the consolidated financial statements.</p> <p>Refer to note 22 to the consolidated financial statements, a significant amount of the Group's goodwill of RMB52,444,000 has been allocated to the Group's offshore oil and natural gas exploration facilities fabrication business.</p> <p>Management has determined that there is no impairment in respect of this goodwill. This determination was based on a value in use model that required significant management judgements and estimates which were subjective with respect to the discount rate and the assumptions underlying the forecast cash flows.</p> <p>The inherent risk in relation to the goodwill impairment is considered significant. Therefore, we identified the goodwill impairment assessment as a key audit matter.</p>	<p>Our procedures in relation to management's impairment assessment of goodwill that has been allocated to the Group's offshore oil and natural gas exploration facilities fabrication business included:</p> <ul style="list-style-type: none"> – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; – Understanding key internal controls over the Group's goodwill impairment assessment; – Evaluating the independent external valuer's competence, capabilities and objectivity; – Challenging the reasonableness of key assumptions used in the cash flow projections based on our knowledge of the business and industry; and – Performing retrospective review of the figures included in prior year forecast with current year actual results to evaluate the effectiveness of management's estimation process.

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue from construction contracts</p> <p>Refer to the key sources of estimation uncertainty in note 5 to the consolidated financial statements and the accounting policies set out in notes 4.11 and 4.22 to the consolidated financial statements.</p> <p>The Group's business involves entering into contractual relationships with customers to provide fabrication services. Revenue from construction contracts recognised over time amounted to approximately RMB594,606,000 and represents approximately 74% of the Group's turnover for the year ended 31 December 2025.</p> <p>For the revenue from construction contracts recognised over time, the Group recognises revenue of these contracts by using the percentage of completion method, depending on the nature of the contract works, measured by reference to the proportion of the actual costs incurred relative to the estimated total costs or to the percentage of certified work performed to date to the estimated total contract sum.</p> <p>The inherent risk in relation to recognition of revenue from construction contracts is considered significant as significant management estimates and assumptions which were subjective are required in relation to recognition of revenue from construction contracts including the determination of costs to complete and estimated total contract costs and the percentage of completion. Therefore, we identified recognition of revenue from construction contracts as a key audit matter.</p>	<p>Our procedures in relation to the significant estimates made by management regarding recognition of revenue from construction contracts included:</p> <ul style="list-style-type: none"> – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; – Understanding and evaluating the effectiveness of internal controls over the calculation of contract revenues including those relating to (i) estimates of costs to complete and the total contract costs; (ii) the determination of the percentage of completion; and – Performing substantive procedures on a sample basis including: <ul style="list-style-type: none"> (a) Examining signed contracts, statements of work, variation orders and certifications of work; (b) Assessing the reasonableness of management estimates of forecast costs to complete and total contract costs; and (c) Recalculating the percentage of completion for major contracts by reference to the proportion contract costs for work performed to date bear to the total estimated contract costs.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
<p>Expected loss allowance on trade and bills receivables</p> <p>Refer to note 26 to the consolidated financial statements and the accounting policies on notes 4.30 and 5 to the consolidated financial statements.</p> <p>As at 31 December 2025, the Group recorded gross trade and bill receivables of RMB239,747,000 and loss allowance of RMB81,000,000, which were significant to the financial statements of the Group.</p> <p>The Group measures loss allowance on trade and bills receivables at amounts equal to lifetime expected credit losses. Expected credit losses ("ECL") on these financial assets are estimated using a provision matrix and specific assessment which involves significant management judgement in estimating the expected loss rate based on historical credit loss experience, adjusting factors that are specific to the debtors and assessment of both current and forecast general economic conditions.</p> <p>We identified the estimation of expected loss allowance of trade and bills receivables as a key audit matter because of the significance of the Group's trade and bills receivables balance to the consolidated financial statements, together with the significant inherent risk due to significant degree of estimations made by the management which were subjective in estimating ECL of trade and bills receivables and may affect their carrying values at the end of the reporting period.</p>	<p>Our procedures in relation to management's estimation of expected loss allowance of trade and bills receivables:</p> <ul style="list-style-type: none"> – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including subjectivity; – Understanding key internal controls over the Group's assessment of the expected loss allowance on trade and bills receivables; – Evaluating the outcome of prior period assessment of the expected loss allowance on trade and bills receivables to assess the effectiveness of management's estimation process; – Obtaining an understanding of how the management assesses the ECL of trade and bills receivables; – Testing the mathematical accuracy of the ECL model on trade and bills receivables prepared by the management; – Testing whether items in the ageing report were categorised appropriately on a sample basis; and – Assessing the reasonableness of the ECL by testing the accuracy of the historical default rate and examining the reasonableness of the forward looking information used by the management.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2025 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA 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.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis of forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Hong Kong Limited

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

27 March 2026

Lam Kam Fung

Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	8	799,930	2,079,022
Cost of sales and services		(618,248)	(1,511,864)
Gross profit		181,682	567,158
Other income	9	31,080	26,876
(Impairment losses)/Reversals of impairment losses on trade and bills receivables, net		(2,850)	22,372
Impairment losses on other receivables		(5)	–
Impairment losses on contract assets, net		(15,060)	(20,425)
Administrative expenses		(129,284)	(313,232)
Other operating expenses	11	(9,685)	(51,671)
Profit from operations		55,878	231,078
Finance costs	12	(6,082)	(10,986)
Share of loss of a joint venture		(16)	(40)
Profit before tax		49,780	220,052
Income tax expense	13	(3,942)	(34,986)
Profit for the year	14	45,838	185,066
Attributable to:			
Owners of the Company		45,838	185,066
		RMB	RMB
Earnings per share	18		
Basic		2.22 cents	9.04 cents
Diluted		2.21 cents	8.96 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Profit for the year	45,838	185,066
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(5,665)	5,527
Share of other comprehensive income of a joint venture, net of related income tax	4	1
Other comprehensive income for the year, net of tax	(5,661)	5,528
Total comprehensive income for the year	40,177	190,594
Attributable to:		
Owners of the Company	40,177	190,594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	19	1,063,584	932,127
Right-of-use assets	20	346,224	364,279
Interest in a joint venture	21	50	62
Goodwill	22	52,444	52,444
Intangible assets	23	3,057	4,176
Trade receivables, non-current	26	1,168	3,417
Deferred tax assets	39	12,870	8,394
		1,479,397	1,364,899
Current assets			
Inventories	25	90,797	93,228
Trade and bills receivables	26	157,579	284,653
Contract cost assets	27	5,004	1,271
Contract assets	28	426,726	476,685
Prepayments, deposits and other receivables	29	78,517	54,810
Derivative financial instruments	30	2,728	–
Current tax assets		339	1,791
Pledged bank deposits	31	69,044	64,618
Bank and cash balances	31	665,681	785,161
		1,496,415	1,762,217
Current liabilities			
Trade payables	32	236,508	417,607
Contract liabilities	28	10,897	60,957
Accruals and other payables	33	113,838	109,317
Derivative financial instruments	30	–	1,532
Provisions	35	128,010	202,713
Bank borrowings	36	61,986	55,000
Other borrowings		2,421	958
Deferred income	38	8,494	2,751
Lease liabilities	34	3,348	7,959
		565,502	858,794
Net current assets		930,913	903,423
Total assets less current liabilities		2,410,310	2,268,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Deferred income	38	53,919	15,724
Lease liabilities	34	9,828	12,527
Bank borrowings	36	135,194	30,500
Deferred tax liabilities	39	23,619	34,170
		222,560	92,921
Net assets			
		2,187,750	2,175,401
Capital and reserves			
Share capital	40	19,153	19,145
Reserves	43(a)	2,168,597	2,156,256
Total equity		2,187,750	2,175,401

Approved by the Board of Directors on 27 March 2026 and are signed on its behalf by:

Wang Lishan
Director

Tang Hui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company									
	Share capital	Share premium account	Share held under share award scheme	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Statutory reserves	Retained profits	Total equity
	(Note 40)	(Note 43(c)(i))	(Note 43(c)(vii))	(Note 43(c)(iii))	(Note 43(c)(vi))	(Note 43(c)(v))	(Note 43(c)(ii))	(Note 43(c)(iv))		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	17,783	1,379,936	-	(52,040)	2,951	(52,323)	63,176	40,275	611,981	2,011,739
Profit for the year	-	-	-	-	-	-	-	-	185,066	185,066
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	-	-	-	-	-	5,527	-	-	-	5,527
Share of other comprehensive income of a joint venture, net of related income tax	-	-	-	-	-	1	-	-	-	1
Total comprehensive income for the year	-	-	-	-	-	5,528	-	-	185,066	190,594
Issue of shares under placing	1,362	54,996	-	-	-	-	-	-	-	56,358
Shares repurchased (Note 41(b))	-	-	(144,734)	-	-	-	-	-	-	(144,734)
2025 interim dividend approved and paid (Note 17)	-	(54,882)	-	-	-	-	-	-	-	(54,882)
Share-based payments (Note 41(a) and (b))	-	-	-	-	-	-	116,326	-	-	116,326
Share vested under the share award scheme	-	(4,162)	98,651	-	-	-	(94,489)	-	-	-
Share options forfeited	-	-	-	-	-	-	(36,065)	-	36,065	-
Changes in equity for the year	1,362	(4,048)	(46,083)	-	-	5,528	(14,228)	-	221,131	163,662
At 31 December 2024	19,145	1,375,888	(46,083)	(52,040)	2,951	(46,795)	48,948	40,275	833,112	2,175,401
At 1 January 2025	19,145	1,375,888	(46,083)	(52,040)	2,951	(46,795)	48,948	40,275	833,112	2,175,401
Profit for the year	-	-	-	-	-	-	-	-	45,838	45,838
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	-	-	-	-	-	(5,665)	-	-	-	(5,665)
Share of other comprehensive income of a joint venture, net of related income tax	-	-	-	-	-	4	-	-	-	4
Total comprehensive income for the year	-	-	-	-	-	(5,661)	-	-	45,838	40,177
Exercise of share option (Note 40(b))	8	530	-	-	-	-	(151)	-	-	387
2025 interim dividend approved and paid (Note 17)	-	(28,215)	-	-	-	-	-	-	-	(28,215)
Changes in equity for the year	8	(27,685)	-	-	-	(5,661)	(151)	-	45,838	12,349
At 31 December 2025	19,153	1,348,203	(46,083)	(52,040)	2,951	(52,456)	48,797	40,275	878,950	2,187,750

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Cash flows from operating activities		
Profit before tax	49,780	220,052
Adjustments for:		
Finance costs	6,082	10,986
Equity settled share-based payments	–	21,837
Interest income	(7,559)	(14,673)
Depreciation of property, plant and equipment	93,608	95,775
Depreciation of right-of-use assets	19,174	18,787
Amortisation of intangible assets	1,119	1,311
Net (gains)/losses on disposals of property, plant and equipment	(7)	705
Share of loss of a joint venture	16	40
Gain on early termination of lease contracts	–	(10)
(Reversal of)/Allowances for inventories	(2,744)	5,258
Impairment losses/(Reversal of impairment losses) on trade and bills receivables, net	2,850	(22,372)
Impairment losses on other receivables	5	–
Impairment losses on contract assets	15,060	20,425
Impairment losses on property, plant and equipment	–	30,510
(Reversal of)/Provisions of warranty, net	(74,703)	34,365
Written off of trade receivables	–	4,963
Fair value changes on derivative financial instruments	(558)	5,732
Fair value changes on financial assets at fair value through profit or loss	–	(61)
Government grants income	(18,016)	(7,300)
Written-back off of trade payables	(1,310)	–
Written off of other receivables	1,105	–
Exchange difference	2,942	(2,342)
Operating profit before working capital changes	86,844	423,988
Decrease in inventories	5,175	12,083
Decrease in trade and bills receivables	126,473	852,670
(Increase)/Decrease in contract cost assets	(3,733)	27
Decrease in contract assets	34,899	7,594
(Increase)/Decrease in prepayments, deposits and other receivables	(24,817)	68,006
Decrease in trade payables	(179,789)	(281,848)
Decrease in contract liabilities	(50,060)	(587,946)
Decrease in accruals and other payables	(24,249)	(9,224)
Cash (used in)/generated from operations	(29,257)	485,350
Income taxes (paid)/refund	(17,517)	3,002
Interest paid	(4,037)	(7,592)
Interest on lease liabilities	(872)	(1,074)
Other finance costs	(1,173)	(2,320)
<i>Net cash (used in)/generated from operating activities</i>	(52,856)	477,366

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from investing activities			
Interest received		7,559	14,673
Investment in a joint venture		–	(102)
Proceeds from disposal of financial assets at fair value through profit or loss		–	58,344
Purchases of property, plant and equipment		(197,285)	(139,169)
Proceeds from disposals of property, plant and equipment		991	2,575
Increase in pledged bank deposits		(4,426)	(13,637)
Government grants received		61,954	9,688
Net purchase of derivative financial instruments		(3,702)	–
Net proceed from settlement of derivative financial instruments		–	(11,383)
<i>Net cash used in investing activities</i>		(134,909)	(79,011)
Cash flows from financing activities			
Bank borrowings raised		181,864	–
Repayment of bank borrowings		(70,184)	(223,800)
Other borrowings raised	44(b)	1,463	958
Proceeds from placement of shares		–	56,358
Purchase of shares for share award scheme		–	(144,734)
Proceeds from exercise of share options		387	–
Dividend paid		(28,215)	(54,882)
Principal elements of lease payment	44(c)	(8,400)	(7,767)
<i>Net cash generated from/(used in) financing activities</i>		76,915	(373,867)
Net (decrease)/increase in cash and cash equivalents		(110,850)	24,488
Effect of foreign exchange rate changes		(8,630)	7,868
Cash and cash equivalents at 1 January		785,161	752,805
Cash and cash equivalents at 31 December		665,681	785,161
Analysis of cash and cash equivalents			
Bank and cash balances		665,681	785,161
Pledged bank deposits		–	–
		665,681	785,161

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

	2025 RMB'000	2024 RMB'000
Pledged bank deposits (mature in three months or less)	–	–
Pledged bank deposits (mature after three months)	69,044	64,618
	69,044	64,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which collective term includes all applicable individual HKFRS accounting standards, Hong Kong Accounting Standards and Interpretations (“HKFRS Accounting Standards”) and the accounting principles generally accepted in Hong Kong. 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). Significant accounting policies adopted by the Group are disclosed below.

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

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

3.1 Amended HKFRS Accounting Standards that are effective for annual periods beginning on 1 January 2025

In the current year, the Group has applied for the first time the Amendments to HKAS 21 “Lack of Exchangeability” which are effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2025.

The amendments to HKAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Besides, the amendments also require an entity to disclose additional information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments do not have a material impact on the financial statements of the Group.

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (CONTINUED)

3.2 Issued but not yet effective HKFRS Accounting Standards

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (CONTINUED)

3.2 Issued but not yet effective HKFRS Accounting Standards (Continued)

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5

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

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

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

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

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

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

HKFRS 18, and the amendments to the other HKFRS Accounting Standards, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are currently working to identify all the impacts of HKFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including the items currently labelled as "other".

4. MATERIAL ACCOUNTING POLICIES

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

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

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

4.1 Consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (Cont'd)

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

In the Company's statement of financial position, investment in subsidiaries are stated at costs less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

4.2 Business combination and goodwill

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.3 Joint venture

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.3 Joint venture (Cont'd)

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

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

4.4 Foreign currency translation

(i) *Functional and presentation currency*

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.4 Foreign currency translation (Cont'd)

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

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

4.5 Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.6 Intangible assets

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

4.7 Leases

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

The Group as lessee

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.7 Leases (Cont'd)

The Group as lessee (Cont'd)

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

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

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

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

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

4.8 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.9 Other contract costs

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

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

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

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

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

4.10 Contract assets and contract liabilities

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.11 Construction contracts

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.12 Recognition and derecognition of financial instruments

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

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

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

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

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

4.13 Financial assets

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.13 Financial assets (Cont'd)

Debt investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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

4.14 Trade and other receivables

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

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

4.15 Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.16 Financial liabilities and equity instruments

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

4.17 Borrowings

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

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

4.18 Financial guarantee contract liabilities

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

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

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

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

4.19 Trade and other payables

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

4.20 Equity instruments

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.21 Derivate financial instruments

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

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

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

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

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

4.22 Revenue and other income

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.23 Employee benefits

(i) *Employee leave entitlements*

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

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

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

(ii) *Pension obligations*

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

(iii) *Termination benefits*

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

4.24 Share-based payments

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.25 Borrowing costs

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

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

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

4.26 Government grants

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

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

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

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

4.27 Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.27 Taxation (Cont'd)

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

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

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

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

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

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

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

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

4.28 Research and development expenditure

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.29 Impairment of non-financial assets

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

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

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

4.30 Impairment of financial assets and contract assets

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

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

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

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

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Significant increase in credit risk (Cont'd)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Measurement and recognition of ECL (Cont'd)

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

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

4.31 Segment reporting

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

4.32 Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.33 Provisions and contingent liabilities

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

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

4.34 Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Legal titles of certain land and building

As stated in notes 19 and 20 to the consolidated financial statements, a subsidiary of the Group, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") is still in the process of obtaining the land use right certificates of certain leasehold lands located in the PRC with carrying amount of approximately RMB7,368,000 (2024: RMB7,575,000) and obtaining the ownership certificates of certain building structures erected on these leasehold lands that were not yet obtain the land use right certificates with the carrying amount of approximately RMB30,134,000 (2024: RMB32,506,000).

In addition, Penglai Jutal and Zhuhai Jutal Offshore Oil Services Company Limited ("Zhuhai Jutal") are in the process of obtaining the ownership certificates of other building structures with carrying amounts of RMB22,657,000 (2024: RMB28,822,000). These building structures were erected on certain leasehold lands which Penglai Jutal and Zhuhai Jutal have obtained the land use right certificates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

Critical judgements in applying accounting policies (Cont'd)

Significant increase in credit risk

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

Other contract costs

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

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

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

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

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

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

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

Key sources of estimation uncertainty

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

Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2025 was approximately RMB1,063,584,000 (2024: RMB932,127,000).

Recognition of revenue from construction contracts

As explained in policy notes 4.11 and 4.22, the Group recognises revenue of construction contracts by using the percentage of completion method measured by reference to the proportion of the actual costs incurred relative to the estimated total costs or to the percentage of certified work performed. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligations. As part of this process, the estimated total costs of each contract will be reviewed periodically. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. During the year, approximately RMB229,571,000 (2024: RMB267,489,000) of revenue from these contracts (contracts which the percentage of completion is measured by reference to the actual costs incurred relative to the estimate total cost) was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

As detailed in note 13, the Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2025, approximately RMB3,942,000 (2024: RMB34,986,000) of income tax was charged to profit or loss.

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

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

As at 31 December 2025, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB12,870,000 (2024: RMB8,394,000) and RMB23,619,000 (2024: RMB34,170,000) respectively.

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

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2025 were RMB1,063,584,000 (2024: RMB932,127,000) and RMB346,224,000 (2024: RMB364,279,000) respectively.

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

Key sources of estimation uncertainty (Cont'd)

Impairment of goodwill

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

The carrying amount of goodwill at the end of the reporting period was approximately RMB52,444,000 (2024: RMB52,444,000).

Impairment of trade and bills receivables and contract assets

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

As at 31 December 2025, the carrying amount of trade and bills receivables and contract assets is RMB585,473,000 (net of allowance for doubtful debts of RMB113,093,000) (2024: RMB764,755,000 (net of allowance for doubtful debts of RMB102,090,000)).

Equity settled share-based payments

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

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

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

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

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6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB and United States dollars ("US\$"). During the years ended 31 December 2025 and 2024, the Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in US\$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2025, if the US\$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB14,794,000 lower (2024: consolidated profit after tax for the year would have been approximately RMB14,120,000 lower), arising mainly as a result of lower foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US\$. If the US\$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB14,794,000 higher (2024: consolidated profit after tax for the year would have been approximately RMB14,120,000 higher), arising mainly as a result of higher foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US\$.

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

At 31 December 2025 and 2024, all outstanding foreign currency forward contracts are used to hedge the risk of depreciation of US\$ against RMB. The directors of the Group consider that the foreign currency exposure in respect of the outstanding foreign currency forward contracts for the years ended 31 December 2025 and 2024 is insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(b) Credit risk

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

Trade and bills receivables and contract assets

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

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

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

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

As at 31 December 2025

	Current	Not more than 90 days past due	More than 90 days past due	More than 180 days past due	More than 1 year past due	More than 2 years past due	Total
Trade and bills receivables							
Expected loss rate							
– Collectively assessed							
Group 1	0.06%	0.72%	2.83%	27.94%	32.82%	100%	
Group 2	0.13%	2.09%	25.49%	25.49%	25.49%	100%	
Gross carrying amount							
– Collectively assessed							
Group 1 (RMB'000)	104,640	31,024	–	306	3,156	12,703	151,829
Group 2 (RMB'000)	16,856	441	5,042	–	–	2,347	24,686
– Specifically assessed (RMB'000)	2,043	–	–	–	25,476	35,713	63,232
Total	123,539	31,465	5,042	306	28,632	50,763	239,747
Loss allowance							
– Collectively assessed							
Group 1 (RMB'000)	59	222	–	85	1,036	12,703	14,105
Group 2 (RMB'000)	22	9	1,285	–	–	2,347	3,663
– Specifically assessed (RMB'000)	2,043	–	–	–	25,476	35,713	63,232
Total	2,124	231	1,285	85	26,512	50,763	81,000

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

As at 31 December 2024

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

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

Expected loss rate of contract assets for Group 1 and Group 2 customers are assessed to be 0.06% and 0.13% respectively (2024: 0.06% and 1.28% respectively). As at 31 December 2025, the loss allowance provision for contract assets amounted to RMB32,093,000 (2024: RMB23,389,000).

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

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

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

	Trade receivables RMB'000	Contract assets RMB'000	Total RMB'000
At 1 January 2024	101,073	2,964	104,037
(Reversal of impairment losses)/Impairment losses recognised for the year	(22,372)	20,425	(1,947)
At 31 December 2024 and 1 January 2025	78,701	23,389	102,090
Impairment losses recognised for the year	2,850	15,060	17,910
Written off of impairment losses previously recognised	(551)	(6,356)	(6,907)
At 31 December 2025	81,000	32,093	113,093

The following changes in the gross carrying amounts of trade and bills receivables and contract assets contributed to the increase in the loss allowance during 2025:

- long-aged trade and bills receivables resulted in an increase in loss allowance for trade receivables.
- increase in credit risk resulted in an increase in loss allowance for contract assets.

Other receivables

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

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

	Other receivables RMB'000
At 1 January 2024, 31 December 2024 and 1 January 2025	8
Impairment losses recognised for the year	5
At 31 December 2025	13

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For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

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

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

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2025					
Trade payables	236,508	-	-	-	236,508
Accruals and other payables	113,838	-	-	-	113,838
Lease liabilities	3,906	2,381	4,187	5,038	15,512
Other borrowings	2,791	-	-	-	2,791
Bank borrowings	133,235	21,656	49,582	-	204,473
At 31 December 2024					
Trade payables	417,607	-	-	-	417,607
Accruals and other payables	109,317	-	-	-	109,317
Lease liabilities	8,767	3,304	5,054	6,477	23,602
Other borrowings	1,094	-	-	-	1,094
Bank borrowings	57,185	30,962	-	-	88,147

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2025					
Derivative – gross settlement Foreign exchange forward contracts					
– Inflow	277,000	-	-	-	277,000
– Outflow	(274,237)	-	-	-	(274,237)
	2,763	-	-	-	2,763
At 31 December 2024					
Derivative – gross settlement Foreign exchange forward contracts					
– Inflow	27,282	-	-	-	27,282
– Outflow	(28,816)	-	-	-	(28,816)
	(1,534)	-	-	-	(1,534)

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

Notes:

- (a) Bank loans 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 2025, the aggregate undiscounted principal amounts of these bank loans amounted to RMB85,498,000 (2024: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Within 1 year RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2025	16,668	68,830	–	85,498	82,800
As at 31 December 2024	–	–	–	–	–

(d) Interest rate risk

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

At 31 December 2025, 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 RMB3,694,000 lower (2024: consolidated profit after tax for the year would have been approximately RMB5,469,000 lower), arising mainly as net result of lower interest income on bank deposits and lower bank loans interest expenses. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB3,694,000 higher (2024: consolidated profit after tax for the year would have been approximately RMB5,469,000 higher), arising mainly as a net result of higher interest income on bank deposits and higher bank loans interest expenses.

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

(e) Categories of financial instruments at 31 December

	2025 RMB'000	2024 RMB'000
Financial assets:		
Financial assets measured at amortised cost	966,848	1,188,615
Derivative financial instruments – held for trading	2,728	–
Financial liabilities:		
Financial liabilities at amortised cost	563,123	633,868
Derivative financial instruments – held for trading	–	1,532

(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.

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7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

31 December 2025

Description	Fair value measurements using Level 2 RMB'000
Recurring fair value measurements:	
Financial assets:	
Derivatives	
Foreign currency forward	2,728
Total	2,728
Financial liabilities:	
Derivatives	
Foreign currency forward	-
Total	-

31 December 2024

Description	Fair value measurements using Level 2 RMB'000
Recurring fair value measurements:	
Financial assets:	
Derivatives	
Foreign currency forward	-
Total	-
Financial liabilities:	
Derivatives	
Foreign currency forward	1,532
Total	1,532

7. FAIR VALUE MEASUREMENTS (CONT'D)

- (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2025:

The Group has engaged external valuation expert with the professional qualifications and recent experience to perform the fair value measurement of foreign currency forward contracts outstanding as at 31 December 2025 and 2024.

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			
			2025		2024	
			Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates and Discount rate	2,728	–	–	1,532
Total			2,728	–	–	1,532

There were no changes in the valuation techniques used for the years ended 31 December 2025 and 2024.

8. REVENUE

- (a) Disaggregation of revenue

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by type of contract		
– Revenue from construction contracts	594,606	1,858,561
– Trading of products	11,013	35,806
– Technical support and other services	194,311	184,655
	799,930	2,079,022

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8. REVENUE (CONT'D)

(a) Disaggregation of revenue (Cont'd)

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

For the year ended 31 December 2025

	Revenue from construction contracts		Trading of products		Technical support and other services		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	-	7,223	11,013	35,806	1,974	1,259	12,987	44,288
Goods and services transferred over time	594,606	1,851,338	-	-	192,337	183,396	786,943	2,034,734
Total	594,606	1,858,561	11,013	35,806	194,311	184,655	799,930	2,079,022

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

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2025 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of products		Technical support and other services	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Within one year	455,405	433,089	-	-	78,347	82,124
More than one year but not more than two years	139,935	520,924	-	-	-	3,849
More than two years but not more than five years	67,938	-	-	-	-	-
Total	663,278	954,013	-	-	78,347	85,973

9. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Net foreign exchange gains	–	1,325
Compensation income	340	361
Government grants recognised (<i>note</i>)	18,016	7,300
Interest income on bank deposits	7,559	14,673
Reversal of other receivables previously written off	–	3,000
Gain on disposal of property, plant and equipment	7	–
Gain on early termination of lease contracts	–	10
Gains on derivative financial instruments	558	–
Reversal of allowances of inventories	2,744	–
Fair value change on financial assets at fair value through profit or loss	–	61
Written-back of trade payables	1,310	–
Others	546	146
	31,080	26,876

Note: For the year ended 31 December 2025, government grants of approximately RMB4,434,000 (2024: RMB3,200,000) are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Government grants of approximately RMB13,582,000 (2024: RMB4,100,000) are recognised in relation to certain research and development activities.

10. SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

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

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

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10. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2025				
Revenue from external customers	593,865	205,870	195	799,930
Segment profit/(loss)	246,973	(65,287)	(4)	181,682
Depreciation and amortisation	65,932	47,969	–	113,901
Other material non-cash items:				
Impairment losses on trade and bills receivables, net				2,850
Impairment losses on contract assets				15,060
Impairment losses on other receivables				5
Reversal of allowances for inventories				(2,744)
Impairment losses on property, plant and equipment				–
Fair value losses on derivative financial instruments				–
Additions to segment non-current assets				227,214
As at 31 December 2025				
Segment assets	1,805,826	363,761	12	2,169,599
Segment liabilities	457,735	44,691	3	502,429

10. SEGMENT INFORMATION (CONT'D)

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

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

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10. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment profit or loss, assets and liabilities

	2025 RMB'000	2024 RMB'000
Profit or loss		
Total profit of reportable segments	181,682	567,158
Unallocated amounts:		
Finance costs	(6,082)	(10,986)
(Impairment losses)/Reversals of impairment losses on trade and bills receivables	(2,850)	22,372
Impairment losses on other receivables	(5)	–
Impairment losses on contract assets	(15,060)	(20,425)
Other income	31,080	26,876
Other corporate expenses	(138,985)	(364,943)
Consolidated profit before tax for the year	49,780	220,052
	2025 RMB'000	2024 RMB'000
Assets		
Total assets of reportable segments	2,169,599	2,210,471
Unallocated amounts:		
Bank and cash balances	665,681	785,161
Pledged bank deposits	69,044	64,618
Derivative financial instruments	2,728	–
Current tax assets	339	1,791
Deferred tax assets	12,870	8,394
Goodwill	52,444	52,444
Other corporate assets	3,107	4,237
Consolidated total assets	2,975,812	3,127,116
Liabilities		
Total liabilities of reportable segments	502,429	811,080
Unallocated amounts:		
Bank borrowings	197,180	85,500
Other borrowings	2,421	958
Derivative financial instruments	–	1,532
Deferred income	62,413	18,475
Deferred tax liabilities	23,619	34,170
Consolidated total liabilities	788,062	951,715

10. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Revenue		Non-current assets	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
PRC except Hong Kong	446,858	558,436	1,465,309	1,353,027
United States	2,684	35,942	–	–
Switzerland	–	197,956	–	–
Singapore	13,925	5,936	–	–
France	73,070	39,302	–	–
United Arab Emirates	172,578	1,078,543	–	–
Brazil	65,194	106,296	–	–
Others	25,621	56,611	–	–
Consolidated total	799,930	2,079,022	1,465,309	1,353,027

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10. SEGMENT INFORMATION (CONT'D)

Revenue from major customers

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2025				
Customer A	115,457	751	–	116,208
Customer C	170,259	–	–	170,259
Customer D	–	31,240	–	31,240
Customer E	–	81,339	–	81,339
Year ended 31 December 2024				
Customer A	97,404	–	299	97,703
Customer B	194,593	–	–	194,593
Customer C	1,078,543	–	–	1,078,543
Customer D	–	233,363	–	233,363

Information about major customers

Revenue from customers of the corresponding years contributing over 10% (2024: 10%) of the total revenue of the Group is as follows:

Revenue generated from		2025 RMB'000	2024 RMB'000
Customer A	Fabrication of facilities and provision of integrated services for oil and gas, new energy, refining and chemical industries	116,208	N/A*
Customer C	Fabrication of facilities and provision of integrated services for oil and gas industries	170,259	1,078,543
Customer D	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries and others	N/A*	233,363
Customer E	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	81,339	N/A*

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

11. OTHER OPERATING EXPENSES

	2025 RMB'000	2024 RMB'000
Net losses on disposal of property, plant and equipment	–	705
Net foreign exchange losses	3,504	–
Allowances on inventories	–	5,258
Impairment losses on property, plant and equipment	–	30,510
Losses on derivative financial instruments	–	5,732
Written off of trade receivables	–	4,963
Written off of other receivables	1,105	–
Penalties and fines	3,899	354
Loss on disposal of a subsidiary (note 24)	–	282
Others	1,177	3,867
	9,685	51,671

12. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	4,037	7,592
Interest on lease liabilities	872	1,074
Others	1,173	2,320
	6,082	10,986

13. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	15,183	40,062
Under/(Over)-provision in prior years	3,786	(59)
	18,969	40,003
Deferred tax (note 39)	(15,027)	(5,017)
	3,942	34,986

(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 2025 and 2024.

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For the year ended 31 December 2025

13. INCOME TAX EXPENSE (CONT'D)

(b) PRC Enterprise Income Tax

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

(i) Penglai Jutal

Penglai Jutal was approved to be recognised as a new and high technology enterprise starting from 12 December 2022 to 11 December 2025. During the year ended 31 December 2025, Penglai Jutal has applied and being approved to continue to be recognised as a new and high technology enterprise for another 3 years until 7 December 2028.

During the year ended 31 December 2025, Penglai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2024: 15%).

(ii) Zhuhai Jutal

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

During the year ended 31 December 2025, Zhuhai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2024: 15%).

(iii) The tax rate applicable to other Group's PRC subsidiaries were 25% (2024: 25%) during the year.

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

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

	2025 RMB'000	2024 RMB'000
Profit before tax	49,780	220,052
Tax at the PRC enterprise income tax rate of 25% (2024: 25%)	12,445	55,013
Tax effect of income that is not taxable	(3,539)	(3,124)
Tax effect of expenses that are not deductible	7,207	19,548
Tax effect of tax losses previously not recognised	(6,171)	(15,936)
Tax effect of tax losses not recognised	3,329	2,558
Deferred tax/(Reversal of deferred tax) on undistributed earnings of the PRC subsidiaries	1,115	(1,392)
Tax effect on deferred tax assets previously recognised	-	8,750
Tax benefit for qualifying research and development expenses (note)	(5,942)	(6,442)
Under/(Over)-provision in prior years	3,786	(59)
Effect of different tax rates of subsidiaries	(8,288)	(23,930)
Income tax expense	3,942	34,986

Note: The qualifying research and development costs charged to profit or loss for the year, which is subject to an additional 200% (2024: 200%) tax deduction in the calculation of income tax expense.

14. PROFIT FOR THE YEAR

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

	2025 RMB'000	2024 RMB'000
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	239,886	374,515
Retirement scheme contributions	25,398	36,888
Share-based payments	–	116,221
	265,284	527,624
Amortisation of intangible assets	1,119	1,311
Depreciation on property, plant and equipment	93,608	95,775
Depreciation on right-of-use assets	19,174	18,787
Net (gain)/loss on disposals of property, plant and equipment*	(7)	705
Net foreign exchange losses/(gains)*	3,504	(1,325)
Research and development expenditure	41,517	78,262
Auditor's remuneration	1,448	1,506
Cost of inventories utilised in construction contracts and sold	185,512	324,917
Cost of service	180,968	356,826
(Reversal of allowances)/Allowances for inventories*	(2,744)	5,258
Impairment/(Reversals) of allowance on trade and bills receivables, net	2,850	(22,372)
Impairment of allowance on contract assets, net	15,060	20,425
Impairment losses on property, plant and equipment*	–	30,510
Impairment losses on other receivables	5	–
(Gains)/Losses on derivative financial instruments*	(558)	5,732

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

15. EMPLOYEE BENEFITS EXPENSE

	2025 RMB'000	2024 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	239,886	374,515
Retirement benefit scheme contributions	25,398	36,888
Share-based payments	–	116,221
	265,284	527,624

No director waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

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15. EMPLOYEE BENEFITS EXPENSE (CONT'D)

(a) Pensions – defined contribution plans

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

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

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

During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2025 and 2024 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2024: three directors) director whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining four individuals (2024: two individuals) is set out below:

	2025 RMB'000	2024 RMB'000
Basic salaries and allowances	5,531	1,380
Share-based payments	–	6,464
Equity-settled share award scheme expenses	–	25,741
Retirement benefits scheme contributions	121	141
	5,652	33,726

The emoluments of this remaining four individuals (2024: two individuals) fell within the following bands:

	Number of individuals	
	2025	2024
HK\$1,000,001 to HK\$1,500,000 (approximately RMB860,001 to RMB1,290,000)	1	–
HK\$1,500,001 to HK\$2,000,000 (approximately RMB1,290,001 to RMB1,720,000)	3	–
HK\$2,000,001 or above (approximately RMB1,720,001 or above)	–	2

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director are set out below:

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Mr. Wang Lishan	-	2,199	-	-	-	2,199
Mr. Tang Hui (<i>note a</i>)	-	758	-	-	78	836
	-	2,957	-	-	78	3,035
Independent non-executive directors						
Mr. Tam Kin Yip	240	-	-	-	-	240
Ms. Choy So Yuk	240	-	-	-	-	240
Mr. Cheung Ngar Tat Eddie	240	-	-	-	-	240
Mr. Zhang Hua (<i>note b</i>)	240	-	-	-	-	240
	960	-	-	-	-	960
Total for 2025	960	2,957	-	-	78	3,995
Executive directors						
Mr. Wang Lishan	-	2,191	5,000	18,256	-	25,447
Mr. Cao Yunsheng (<i>note c</i>)	-	741	5,000	24,352	-	30,093
Mr. Liu Yunian (<i>note d</i>)	-	-	-	-	-	-
Mr. Tang Hui (<i>note a</i>)	-	380	-	5,458	42	5,880
Mr. Zhao Wuhui (<i>note e</i>)	-	765	-	9,059	73	9,897
	-	4,077	10,000	57,125	115	71,317
Independent non-executive directors						
Mr. Tam Kin Yip	240	-	-	347	-	587
Mr. Han Guimao (<i>note f</i>)	-	-	-	-	-	-
Ms. Choy So Yuk	240	-	-	347	-	587
Mr. Cheung Ngar Tat Eddie	240	-	-	347	-	587
Mr. Zhang Hua (<i>note b</i>)	233	-	-	-	-	233
	953	-	-	1,041	-	1,994
Total for 2024	953	4,077	10,000	58,166	115	73,311

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

(a) Directors' emoluments (Cont'd)

Notes:

- (a) Mr. Tang Hui was appointed as an executive director on 24 June 2024.
- (b) Mr. Zhang Hua was appointed as an independent non-executive director on 12 January 2024.
- (c) Mr. Cao Yunsheng resigned as an executive director on 24 June 2024.
- (d) Mr. Liu Yunian resigned as an executive director on 12 January 2024.
- (e) Mr. Zhao Wuhui was appointed as an executive director on 12 January 2024 and resigned as an executive director on 18 December 2024.
- (f) Mr. Han Guimao was resigned as an independent non-executive director on 12 January 2024.

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

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

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

17. DIVIDENDS

Dividends attributable to the year

	2025 RMB'000	2024 RMB'000
Interim dividend of HK\$0.015 (2024: HK\$0.03) per ordinary share	28,215	54,882

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

The Board does not recommend the payment of final dividend for the year ended 31 December 2025 (2024: Nil).

18. EARNINGS PER SHARE

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

	2025 RMB'000	2024 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	45,838	185,066
	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,066,855,671	2,047,506,859
Effect of dilutive potential ordinary shares arising from share options	9,497,737	18,049,634
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,076,353,408	2,065,556,493

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the year. For the year ended 31 December 2025, the number of shares used in the calculation of basic earnings per share include the weighted average number of shares in issue and vested shares at nil consideration less shares not yet awarded held for share award scheme.

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

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19. PROPERTY, PLANT AND EQUIPMENT

	Buildings, pier and other infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2024	1,185,905	426,978	110,235	12,667	8,739	1,744,524
Additions	840	13,854	1,928	395	126,951	143,968
Reclassification	1,180	154	3,964	–	(5,298)	–
Write off/disposals	–	(36,000)	(2,638)	(1,372)	–	(40,010)
Exchange realignment	–	–	19	17	–	36
At 31 December 2024 and 1 January 2025	1,187,925	404,986	113,508	11,707	130,392	1,848,518
Additions	1,330	95,415	1,046	920	127,344	226,055
Reclassification	82,777	34,209	5,378	–	(122,364)	–
Write off/disposals	(1,381)	(3,888)	(6,116)	–	–	(11,385)
Exchange realignment	–	–	(22)	(20)	–	(42)
At 31 December 2025	1,270,651	530,722	113,794	12,607	135,372	2,063,146
Accumulated depreciation and impairment						
At 1 January 2024	457,765	277,846	80,608	10,586	–	826,805
Charge for the year	53,830	34,098	7,019	828	–	95,775
Write off/disposals	–	(32,789)	(2,581)	(1,360)	–	(36,730)
Provision for impairment losses	–	30,510	–	–	–	30,510
Exchange realignment	–	–	20	11	–	31
At 31 December 2024 and 1 January 2025	511,595	309,665	85,066	10,065	–	916,391
Charge for the year	53,293	33,674	5,936	705	–	93,608
Write off/disposals	(419)	(3,866)	(6,116)	–	–	(10,401)
Exchange realignment	–	–	(22)	(14)	–	(36)
At 31 December 2025	564,469	339,473	84,864	10,756	–	999,562
Carrying amount						
At 31 December 2025	706,182	191,249	28,930	1,851	135,372	1,063,584
At 31 December 2024	676,330	95,321	28,442	1,642	130,392	932,127

At 31 December 2025 and 2024, there is no property, plant and equipment was pledged as security.

At 31 December 2025, the Group has certain building structures with carrying amounts of approximately RMB30,134,000 (2024: RMB32,506,000) erected on certain leasehold lands which the Group is still in the process obtaining the respective land use right certificates. Accordingly, the Group has not obtained the relevant ownership certificates for these building structures. In additions, at 31 December 2025, the Group is still in the process of obtaining the ownership certificates of other building structures with carrying amounts of approximately RMB22,657,000 (2024: RMB28,822,000).

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

During the year ended 31 December 2024, the Group assessed the recoverable amount of a machinery located in Penglai Jutal and as a result impairment loss of RMB24,527,000 was recognised in the consolidated financial statements. No further impairment loss of the machinery was recognised during the year.

During the year ended 31 December 2024, the Group assessed the recoverable amount of a construction cash generating unit ("CGU") located in Zhuhai, the PRC ("Zhuhai construction CGU") and as a result recognised impairment losses of RMB5,983,000 in respect of the property, plant and equipment attributable to that CGU. No further impairment loss on Zhuhai construction CGU was recognised during the year.

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

The recoverable amounts of the Zhuhai construction CGU have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on the financial budgets approved by the directors covering a five-year period. Due to the uncertainty of the future economic and market conditions, the management developed the base case and worst-case scenario of cash flow projections. Probabilities of occurrence were assigned to each scenario to arrive the estimated recoverable amounts of this CGU. The assumptions used in both scenarios and the assigned probabilities of occurrence required significant management judgement.

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

- (a) Pre-tax discount rate of 12.5% (2024: 12.4%) per annum calculated by using weighted average cost of capital;
- (b) The management realised that the poor performance arises from the Zhuhai construction CGU site in recent years mainly due to mismatch of the production capacity (including technical capabilities; staff and production resources) against those larger scope fabrication project. The mismatch resulted in delay of production progress and increased in overall production cost. During the year 2025, the company incurred capital expenditure amounted to approximately RMB127,000,000 in enhancing the production capacity of its production site in Zhuhai, which is expected to resolve the mismatch against larger scale fabrication projects in the future. The management considered this CGU would focus more on EPC (Engineering, Procurement and Construction) projects which has a larger contract sum and a better profit margin;
- (c) Forecast revenue trend and growth rates was based on the secured construction contracts obtained for this CGU at the year ended 31 December 2025 and the past experience, adjusted for the change of the strategic plan made on the operation of the Zhuhai construction CGU;
- (d) Operating profits was based on historical experience of operating margins, adjusted for the impact of change of the strategic plan made on the operation of the Zhuhai construction CGU and cost saving initiatives;
- (e) Cash conversion was based on the historical ratio of operating cash flow to operating profit;
- (f) Cash flows beyond five-year period of the base case scenario have been extrapolated using a steady 2% (2024: 3%) per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

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20. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2024	357,682	20,949	378,631
Additions	–	5,655	5,655
Lease modification	–	(314)	(314)
Termination of leases	–	(911)	(911)
Depreciation	(11,237)	(7,550)	(18,787)
Exchange difference	–	5	5
At 31 December 2024 and 1 January 2025	346,445	17,834	364,279
Additions	–	1,159	1,159
Lease modification	–	(31)	(31)
Depreciation	(11,237)	(7,937)	(19,174)
Exchange difference	–	(9)	(9)
At 31 December 2025	335,208	11,016	346,224

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

The Group leases various offices, warehouses, and staff quarters for its operations for the year ended 31 December 2025. Lease contracts are entered into for fixed term of 30 months to 15.5 years (2024: 30 months to 15.5 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The leasehold land was amortised on a straight-line basis over the lease term of 50 years (2024: 50 years).

Lease liabilities of RMB13,176,000 (2024: RMB20,486,000) are recognised with related right-of-use assets of RMB11,016,000 (2024: RMB17,834,000) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

At 31 December 2025, the Group is still in the process of obtaining the land use rights certificates of certain leasehold lands with the carrying amounts of approximately RMB7,368,000 (2024: RMB7,575,000).

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

	2025 RMB'000	2024 RMB'000
Depreciation expenses on right-of-use assets	19,174	18,787
Interest expense on lease liabilities (included in finance cost)	872	1,074
Expenses relating to short-term lease (included in cost of sales and services and administrative expense)	1,803	2,511
Expenses relating to leases of low value assets (included in administrative expenses)	2	615

Details of total cash outflow for leases is set out in note 44(c).

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)	
	2025 RMB'000	2024 RMB'000
Fabrication site – PRC	9,626	10,441

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21. INTEREST IN A JOINT VENTURE

	2025 RMB'000	2024 RMB'000
Cost of investment in a joint venture	102	102
Share of post-acquisition profits and other comprehensive income, net of dividends received	(52)	(40)
	50	62

As at 31 December 2025 and 2024, details of the Group's interest in a joint venture which is an unlisted corporate entity whose quoted market price is not available, are as follows:

Name of joint venture	Form of business structure	Country/place of incorporation and business	Particulars of issued and paid up capital	% of interest held	Principal activity
Thoresen Jutal Offshore Engineering Heavy Industries (Thailand) Limited	Incorporated	Thailand	THB1,000,000	49% (2024: 49%)	Provision of professional service for engineering, procurement and construction in offshore oil & gas, onshore modular plants and facilities, offshore renewable and green energy as well as shipbuilding industries

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

22. GOODWILL

	RMB'000
Cost	
At 31 December 2024, 1 January 2025 and 31 December 2025	52,444
Accumulated impairment losses	
At 31 December 2024, 1 January 2025 and 31 December 2025	–
Carrying amount	
At 31 December 2025 and 31 December 2024	52,444

22. GOODWILL (CONT'D)

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

	2025 RMB'000	2024 RMB'000
Offshore oil and natural gas exploration facilities fabrication business ("Oil and gas construction CGU")	52,444	52,444
At 31 December	52,444	52,444

The recoverable amount of the Oil and gas construction CGU have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate of 14.7% (2024: 15%) per annum calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

- (a) Forecast revenue trend and growth rates was based on the secured construction contracts obtained for this CGU at the year ended 31 December 2025 and past experience, adjusted for the change of the management's expectation of market development of the related business segment;
- (b) Operating profits was based on historical experience of operating margins;
- (c) Cash conversion was based on the historical ratio of operating cash flow to operating profit;
- (d) Cash flow beyond five-year period have been extrapolated using a steady 2% (2024: 3%) per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

The recoverable amount calculated based on value in use exceeded carrying value by RMB662,206,000 (2024: RMB827,823,000). The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of this CGU. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the Oil and gas construction CGU is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

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23. INTANGIBLE ASSETS

	RMB'000
Cost	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	24,875
Accumulated amortisation	
At 1 January 2024	17,473
Amortisation for the year	1,311
At 31 December 2024 and 1 January 2025	18,784
Amortisation for the year	1,119
At 31 December 2025	19,903
Accumulated impairment	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,915
Carrying amount	
At 31 December 2025	3,057
At 31 December 2024	4,176

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 1.7 years (2024: 2.7 years).

24. SUBSIDIARIES

List of subsidiaries

Particulars of the Group's major subsidiaries as at 31 December 2025 and 2024 are as follows:

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Directly held:					
Jutal Investments Limited	British Virgin Islands/Limited liability company	5 ordinary shares of US\$1 each (2024: 5 ordinary shares of US\$1 each)	100% (2024: 100%)	–	Investment holding
Jutal Investments Limited	Hong Kong/Limited liability company	1 ordinary share (2024: 1 ordinary share)	100% (2024: 100%)	–	Investment holding
Indirectly held:					
Stand Success Resources Limited	British Virgin Islands/Limited liability company	1 ordinary share of US\$1 (2024: 1 ordinary share of US\$1)	–	100% (2024: 100%)	Investment holding
Jutal Engineering Company Limited	Hong Kong/Limited liability company	6 ordinary shares (2024: 6 ordinary shares)	–	100% (2024: 100%)	Provision of integrated services for oil and gas industries
Jutal Holdings Limited	British Virgin Islands/Limited liability company	2 ordinary shares of US\$1 each (2024: 2 ordinary shares of US\$1 each)	–	100% (2024: 100%)	Investment holding

24. SUBSIDIARIES (CONT'D)

List of subsidiaries (Cont'd)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Hong Kong Jutal Holdings Limited	Hong Kong/Limited liability company	157,045,434 ordinary shares (2024: 157,045,434 ordinary shares)	–	100% (2024: 100%)	Investment holding
Advance Engineering (Asia) Limited	Hong Kong/Limited liability company	1,000,000 ordinary shares (2024: 1,000,000 ordinary shares)	–	100% (2024: 100%)	Trading of biofuel products
巨濤油田服務(天津)有限公司 (Jutal Oilfield Services (Tianjin) Company Limited)	PRC/wholly-foreign-owned enterprise	Paid up and registered capital of HK\$10,000,000 (2024: Paid up and registered capital of HK\$10,000,000)	–	100% (2024: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
深圳巨濤機械設備有限公司 (Shenzhen Jutal Machinery Equipment Company Limited)	PRC/wholly-foreign-owned enterprise	Paid up Capital of RMB200,000,000 Registered capital of RMB700,000,000 (2024: Paid up Capital of RMB200,000,000 Registered capital of RMB700,000,000)	–	100% (2024: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
珠海巨濤海洋石油服務有限公司 (Zhuhai Jutal Offshore Oil Services Company Limited)	PRC/Limited liability company	Paid up and registered capital of RMB600,000,000 (2024: Paid up and registered capital of RMB500,000,000)	–	100% (2024: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
巨濤海洋船舶工程服務(大連)有限公司 (Jutal Offshore Shipbuilding Services (Dalian) Company Limited)	PRC/sino-foreign equity joint venture	Paid up and registered capital of HK\$33,330,000 (2024: Paid up and registered capital of HK\$33,330,000)	–	100% (2024: 100%)	Provision of technical support services for shipbuilding industry

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24. SUBSIDIARIES (CONT'D)

List of subsidiaries (Cont'd)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
成都巨濤油氣工程有限公司 (Chengdu Jutal Oil and Gas Engineering Co., Ltd.)	PRC/Limited liability company	Paid up Capital of RMB3,000,000 (2024: Paid up Capital of RMB3,000,000) Registered capital of RMB10,000,000 (2024: Registered capital of RMB10,000,000)	–	100% (2024: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
蓬萊巨濤海洋工程重工有限公司(Penglai Jutal)	PRC/sino-foreign equity joint venture	Paid up and registered capital of US\$189,580,000 (2024: Paid up and registered capital of US\$139,580,000)	–	100% (2024: 100%)	Sales and construction of offshore oil and natural gas exploration facilities; quayside machineries and chemical engineering facilities; design, fabrication, installation and repair of steel formation structures; and provision of other quayside and warehouse services

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

Note:

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

25. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	90,797	93,228

26. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	214,190	365,421
Allowance for doubtful debts	(81,000)	(78,701)
	133,190	286,720
Bills receivables	25,557	1,350
	158,747	288,070
Classified as:		
Trade receivables, non-current	1,168	3,417
Trade and bills receivables, current	157,579	284,653
	158,747	288,070

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

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

	2025 RMB'000	2024 RMB'000
Billed		
0 to 30 days	31,242	136,215
31 to 90 days	48,953	115,542
91 to 365 days	46,445	30,277
Over 365 days	47,126	42,500
	173,766	324,534
Unbilled (note a)	40,424	40,887
	214,190	365,421

Note:

- (a) The unbilled balance mainly in relation to provision of construction and other services which will be billed in accordance with the payment terms stipulated in the relevant contracts entered into between the Group and the contract customers. As at 31 December 2025, unbilled balance of RMB1,168,000 (2024: RMB3,417,000) will be billed after one year from the end of the reporting date.

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For the year ended 31 December 2025

26. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2025, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB12,554,000 (2024: RMB11,208,000).

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

	2025 RMB'000	2024 RMB'000
RMB	151,442	274,298
United States Dollar ("US\$")	–	12,468
Euro	6,033	–
Hong Kong Dollar ("HK\$")	1,272	1,304
	158,747	288,070

27. CONTRACT COST ASSETS

	2025 RMB'000	2024 RMB'000
Contract cost assets	5,004	1,271

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

	2025 RMB'000	2024 RMB'000
At 1 January	1,271	1,298
Additions	3,733	–
Amortisation for the year	–	(27)
At 31 December	5,004	1,271

28. CONTRACT ASSETS/CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Contract assets		
Arising from performance under construction contracts	322,918	393,058
Arising from performance under technical support and other services	103,808	83,627
	426,726	476,685
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	158,747	288,070

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

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

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB13,960,000 (2024: RMB176,000), mainly due to the changes in the final transaction price of certain construction and service contracts.

No contract assets is expected to be recovered after more than one year (2024: Nil).

	2025 RMB'000	2024 RMB'000
Contract liabilities		
Billings in advance of performance obligation		
Construction contracts	5,621	57,875
Technical support and other services	5,276	3,082
	10,897	60,957

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

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For the year ended 31 December 2025

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

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

Movements in contract liabilities:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	60,957	648,903
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(56,407)	(641,320)
Increase in contract liabilities as a result of billing in advance of construction activities	6,347	53,374
Balance at 31 December	10,897	60,957

No billings in advance are expected to be recognised as income after more than one year (2024: Nil).

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Prepayments	5,141	4,044
Deposits	6,775	9,047
Other receivables (<i>note</i>)	66,614	41,727
	78,530	54,818
Less: Allowance for other receivables	(13)	(8)
	78,517	54,810

Note: The amount included value-added tax receivables amounted to RMB38,773,000 (2024: RMB22,122,000).

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2025 RMB'000	2024 RMB'000
Financial assets		
Derivatives not under hedge accounting:		
Foreign currency forward	2,728	–
Financial liabilities		
Derivatives not under hedge accounting:		
Foreign currency forward	–	1,532

At 31 December 2025, the Group had outstanding foreign currency forward contracts mainly to hedge the foreign currency risk arising from certain of its contract revenue and contract assets (2024: contract revenue, trade receivables and contract assets) denominated in US\$. The maximum notional principal amounts of these outstanding foreign currency forward contracts at the end of the reporting period were as follows:

	2025 RMB'000	2024 RMB'000
Sell US\$ for RMB	282,977	28,419

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

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

The net change in the fair value of all of the non-hedging foreign currency forward contracts amounting to approximately RMB558,000 was credited to the profit or loss for the year ended 31 December 2025 (2024: RMB5,732,000 was debited to the profit or loss).

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For the year ended 31 December 2025

31. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 37 to the consolidated financial statements. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

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

	2025 RMB'000	2024 RMB'000
RMB	586,806	611,630
HK\$	74,403	99,409
US\$	73,125	138,016
Euro	233	146
Others	158	578
	734,725	849,779

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

32. TRADE PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	236,508	417,607

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

	2025 RMB'000	2024 RMB'000
0 to 30 days	127,379	279,475
31 to 90 days	52,625	45,832
91 to 365 days	17,102	36,113
Over 365 days	39,402	56,187
	236,508	417,607

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

	2025 RMB'000	2024 RMB'000
RMB	226,606	412,865
US\$	7,054	1,779
HK\$	114	117
GBP	-	939
Euro	2,734	1,907
Total	236,508	417,607

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

33. ACCRUALS AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Accrued staff costs	34,838	60,719
Payables for purchases of property, plant and equipment, construction fees and other expenses	44,474	15,704
Others	34,526	32,894
	113,838	109,317

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Within one year	3,906	8,767	3,348	7,959
In the second to fifth years, inclusive	6,568	8,358	5,207	5,600
After five years	5,038	6,477	4,621	6,927
	15,512	23,602	13,176	20,486
Less: Future finance charges	(2,336)	(3,116)	N/A	N/A
Present value of lease obligations	13,176	20,486	13,176	20,486
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,348)	(7,959)
Amount due for settlement after 12 months			9,828	12,527

The weighted average incremental borrowing rates applied to lease liabilities is 5.0% (2024: 5.0%).

The lease liabilities are denominated in RMB.

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35. PROVISIONS

	Warranty provision	
	2025 RMB'000	2024 RMB'000
At 1 January	202,713	168,348
Additional provisions	6,571	36,128
Provisions used	(621)	(1,135)
Unused provisions reversed	(80,653)	(628)
At 31 December	128,010	202,713

Note: The warranty provision represents the Group's best estimate of the Group's liability under 18–84 months (2024: 18–84 months) warranties granted to its customers in relation to certain construction contracts under which defective works are rectified or replaced.

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

36. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank borrowings	197,180	85,500

The bank borrowings are repayable as follows:

	2025 RMB'000	2024 RMB'000
Within one year	61,986	55,000
More than one year, but not exceeding two years	88,157	30,500
More than two years, but not exceeding five years	47,037	–
	197,180	85,500
Less: Amount due for settlement within 12 months (shown under current liabilities)	(61,986)	(55,000)
Amount due for settlement after 12 months	135,194	30,500

36. BANK BORROWINGS (CONT'D)

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

The average interest rate of the Group's bank borrowings at 31 December 2025 was 3.55% (2024: 3.95%) per annum.

Bank borrowings of approximately RMB26,500,000 (2024: RMB30,500,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Bank borrowings were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2025, bank borrowings of approximately RMB197,180,000 (2024: RMB85,500,000) are secured by corporate guarantee executed by a major shareholder of the Company and two subsidiaries of the Company.

The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2025 and 2024.

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

37. BANKING FACILITIES

At 31 December 2025, the Group had approximately RMB460,066,000 (2024: RMB200,000,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans and bank guarantees. The Group's banking facilities are secured by the followings:

- i. a charge over the Group's pledged bank deposits (note 31); and
- ii. corporate guarantees executed by a major shareholder of the Company, the Company and two subsidiaries of the Company.

As at 31 December 2025, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB305,164,000 (2024: RMB270,100,000).

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38. DEFERRED INCOME

	Notes	2025 RMB'000	2024 RMB'000
At 1 January		18,475	16,087
Addition of deferred income		57,520	6,488
Recognised as income and included in the Group's other income		(13,582)	(4,100)
At 31 December		62,413	18,475
Represented by:			
Government grant A	(i)	5,200	5,417
Government grant B	(ii)	52,255	7,058
Government grant C	(iii)	4,958	6,000
At 31 December		62,413	18,475
Classified as:			
Current liabilities		8,494	2,751
Non-current liabilities		53,919	15,724
		62,413	18,475

Notes:

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

The grant is recognised as deferred income and a portion of the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended used. The remaining portion of the grant will be credited to profit or loss when the related research and development activities are successfully completed. Deferred income of approximately RMB216,000 was transferred to profit or loss for the year ended 31 December 2025 (2024: RMB866,000).

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

These grants are recognised as deferred income and the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended used. Deferred income of approximately RMB12,324,000 was transferred to profit or loss for the year ended 31 December 2025 (2024: RMB3,234,000).

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

These grants are recognised as deferred income and the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended used. Deferred income of approximately RMB1,042,000 was transferred to profit or loss for the year ended 31 December 2025 (2024: Nil).

39. DEFERRED TAX

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

	Accelerated tax depreciation RMB'000	Recognition of contracting income RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	59,444	4,119	28,061	(13,429)	(47,402)	30,793
Charge to profit or loss for the year (note 13)						
– Changes in temporary differences	796	(6,881)	(1,392)	8,750	(6,290)	(5,017)
At 31 December 2024 and 1 January 2025	60,240	(2,762)	26,669	(4,679)	(53,692)	25,776
Charge to profit or loss for the year (note 13)						
– Changes in temporary differences	(3,619)	(1,551)	1,115	(6,067)	(4,905)	(15,027)
At 31 December 2025	56,621	(4,313)	27,784	(10,746)	(58,597)	10,749

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

	2025 RMB'000	2024 RMB'000
Deferred tax liabilities	23,619	34,170
Deferred tax assets	(12,870)	(8,394)
	10,749	25,776

At the end of reporting period, the Group has unused tax losses of approximately RMB112,501,000 (2024: RMB146,381,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB69,168,000 (2024: RMB43,050,000). No deferred tax asset has been recognised in respect of the remaining approximately of RMB43,333,000 (2024: RMB103,331,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB10,167,000, RMB9,497,000, RMB4,928,000, RMB5,310,000 and RMB13,008,000 that can be carried forward by five years, four years, three years, two years and one year respectively. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB61,583,000 (2024: RMB51,358,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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40. SHARE CAPITAL

		Number of Shares	Amount HK\$'000	
Authorised:				
Ordinary shares of HK\$0.01 (2024: HK\$0.01) each				
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025				
		4,000,000,000	40,000	
	Notes	Number of shares	Amount HK\$'000	Equivalent to Amount RMB'000
Issued and fully paid:				
Ordinary shares of HK\$0.01 (2024: HK\$0.01) each				
At 1 January 2024				
		1,981,598,389	19,816	17,783
Placement of shares	(a)	150,000,000	1,500	1,362
At 31 December 2024 and 1 January 2025				
		2,131,598,389	21,316	19,145
Exercise of share option	(b)	886,000	9	8
At 31 December 2025				
		2,132,484,389	21,325	19,153

Notes:

- (a) On 7 March 2024, the Company issued 150,000,000 ordinary shares at price of HK\$0.42 per share through placement. The premium on the issue of shares, amounting to approximately HK\$60,009,000 (equivalent to approximately RMB54,996,000), net of share issue expenses, was credited to the Company's share premium account.
- (b) Share options were exercised by option holders during the year ended 31 December 2025 to subscribe for a total of 886,000 ordinary shares of the Company at total consideration of approximately HK\$425,000 (equivalent to approximately RMB387,000), of which approximately RMB8,000 was credited to share capital and the balance of approximately RMB379,000 was credited to the share premium account. Approximately RMB151,000 has been transferred from the share-based payment reserve to the share premium account.

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

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

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

40. SHARE CAPITAL (CONT'D)

The gearing ratio as at the 31 December 2025 and 2024 is as follows:

	2025 RMB'000	2024 RMB'000
Total borrowings	199,601	86,458
Lease liabilities	13,176	20,486
Total equity	2,187,750	2,175,401
Gearing ratio	9.73%	4.92%

The increase in gearing ratio from the year ended 31 December 2025 resulted primarily from the increase in bank borrowings. The Group adjusts the amount of bank borrowings from time to time to meet the Group's working capital needs.

The externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2025, 48.55% (2024: 48.53%) of the shares were in public hands.

41. SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The first option scheme was effective on 21 September 2006 and was ended during the year ended 31 December 2016.

On 8 June 2016, a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company pursuant to the shareholder's resolution. Under the New Scheme, the Board of Directors of the Company may grant options to eligible participants. Eligible participants include the full time and part-time employees, directors (including independent non-executive directors), substantial shareholders of each member of the Group, associates of the directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group. The New Scheme unless otherwise cancelled or amended, will remain in force for 10 years from 8 June 2016.

The general scheme limit has been refreshed and approved by shareholder's resolution at the Company's annual general meeting on 8 June 2018. The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of the said annual general meeting. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue on the date of the said annual general meeting. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS (CONT'D)

(a) Equity-settled share option scheme (Cont'd)

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

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

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

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2018A	9 January 2018	9 January 2018 to 8 January 2019	9 January 2019 to 8 January 2028	2.14
2018B	9 January 2018	9 January 2018 to 8 January 2020	9 January 2020 to 8 January 2028	2.14
2020A	24 April 2020	24 April 2020 to 31 March 2021	1 April 2021 to 23 April 2026	0.48
2020B	24 April 2020	24 April 2020 to 31 March 2022	1 April 2022 to 23 April 2026	0.48
2023	9 November 2023	9 November 2023 to 8 November 2024	9 November 2024 to 8 November 2028	0.52

For the share options granted in 2018, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. For the share options granted in 2020, if the options remain unexercised after a period of 6 years from the date of grant, the options expire. For the share options granted in 2023, if the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

41. SHARE-BASED PAYMENTS (CONT'D)

(a) Equity-settled share option scheme (Cont'd)

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

	2025		2024	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	151,089,000	0.84	238,301,000	1.07
Exercised during the year	(886,000)	0.48	–	–
Forfeited during the year	–	–	(87,212,000)	1.47
Outstanding at the end of the year	150,203,000	0.84	151,089,000	0.84
Exercisable at the end of the year	150,203,000	0.84	151,089,000	0.84

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.48 for the year ended 31 December 2025. The options outstanding at the end of the year have a weighted average remaining contractual life of 2.68 years (2024: 3.66 years) and the exercise price ranges from HK\$0.48 to HK\$2.14 (2024: HK\$0.48 to HK\$2.14).

For the year ended 31 December 2024, the Group recognised share-based payments amounting to RMB21,837,000 in profit or loss. No share-based payments were recognised in profit or loss for the year ended 31 December 2025.

(b) Share award scheme

On 18 March 2024, the Company adopted a share award scheme (the “Scheme” or the “Share Award Scheme”) in which the Group’s directors and employees will be entitled to participate.

The purpose of the Scheme are to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group, attract suitable personnel for further development of the Group, better align the interests of the officers and employees, and of the shareholders and effectively motivate the management team and key employees of the Group, and thereby promoting the long-term development of the Group and maximising the interests of the shareholders.

The Scheme shall be subject to the administration of the board (the “Board”) and the trustee in accordance with the scheme rules and the trust deed of the Scheme. Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on its adoption date (i.e. 18 March 2024).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS (CONT'D)

(b) Share award scheme (Cont'd)

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the trust fund of the Scheme for each calendar year for the purpose of the Scheme shall not exceed 20% of the total number of issued shares as at the adoption date. The directors of the Company shall not instruct the trustee to subscribe and/or purchase any shares for the purpose of the Scheme when such subscription and/or purchase will result in the said limit being exceeded.

During the year ended 31 December 2025, no shares were purchased by the trustee and no shares were awarded by the Company under the Scheme.

During the year ended 31 December 2024, a sum of approximately HK\$158,560,000 (equivalent to approximately RMB144,734,000) has been used to acquire 228,750,000 shares from the open market by the trustee of the Scheme.

The Board has full discretion to determine the amount of the share award to be vested to selected directors and employees at the end of a performance period in accordance with the performance criteria approved by the Board.

The Company granted 164,000,000 shares to selected directors and employees on 20 May 2024 and 23 September 2024 respectively, which will be vested immediately at the grant date. The fair value of the granted shares is calculated based on the closing market price of the shares of HK\$0.75 and HK\$0.55 on the day of the grant, and amounted to HK\$49,500,000 (equivalent to approximately RMB45,184,000) for the shares granted on 20 May 2024 and HK\$53,900,000 (equivalent to approximately RMB49,200,000) for the shares granted on 23 September 2024, respectively. The Group recognised a share award scheme expense of HK\$103,400,000 (equivalent to approximately RMB94,384,000) during the year ended 31 December 2024.

During the year ended 31 December 2024, a total of 164,000,000 awarded shares were vested. The cost of the related vested shares were HK\$108,075,000 (equivalent to approximately RMB98,651,000). The fair value of the related vested shares were HK\$49,500,000 (equivalent to approximately RMB45,234,000) for the shares vested on 20 May 2024 and HK\$53,900,000 (equivalent to approximately RMB49,255,000) for the shares vested on 23 September 2024. The difference of the share price between the acquisition date and grant date amounted to HK\$4,675,000 (equivalent to approximately RMB4,162,000) was credited to share premium.

As at 31 December 2025 and 2024, the carrying amount of shares held for share award scheme was HK\$50,485,000 (equivalent to approximately RMB46,083,000) and the number of shares held was 64,750,000.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		17	54
Right-of-use assets		640	54
Investments in subsidiaries		581,915	596,605
		582,572	596,713
Current assets			
Prepayments, deposits and other receivables		13,776	13,509
Due from subsidiaries		757,709	808,625
Due from directors		–	926
Bank and cash balances		14,799	17,811
		786,284	840,871
Current liabilities			
Accruals and other payables		1,841	1,866
Due to subsidiaries		125,257	128,310
Amount due to a director		63	–
Lease liabilities		581	91
		127,742	130,267
Net current assets		658,542	710,604
Total assets less current liabilities		1,241,114	1,307,317
Non-current liabilities			
Lease liabilities		75	–
Net assets		1,241,039	1,307,317
Capital and reserves			
Share capital		19,153	19,145
Reserves	43(b)	1,221,886	1,288,172
Total		1,241,039	1,307,317

The Company's statement of financial position was approved by the Board of Directors on 27 March 2026 and signed on its behalf by:

Wang Lishan
 Director

Tang Hui
 Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account RMB'000	Shares held under share award scheme RMB'000	Convertible loan notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	1,379,936	-	2,951	10,490	63,176	(36,170)	1,420,383
Issue of shares under placing	54,996	-	-	-	-	-	54,996
Shares repurchased	-	(144,734)	-	-	-	-	(144,734)
Dividend paid	(54,882)	-	-	-	-	-	(54,882)
Share-based payments	(4,162)	98,651	-	-	21,837	-	116,326
Share options forfeited	-	-	-	-	(36,065)	36,065	-
Loss and total comprehensive expenses for the year	-	-	-	28,577	-	(132,494)	(103,917)
At 31 December 2024 and 1 January 2025	1,375,888	(46,083)	2,951	39,067	48,948	(132,599)	1,288,172
Dividend paid	(28,215)	-	-	-	-	-	(28,215)
Exercise of share option (note 40(b))	530	-	-	-	(151)	-	379
Loss and total comprehensive expenses for the year	-	-	-	(31,884)	-	(6,566)	(38,450)
At 31 December 2025	1,348,203	(46,083)	2,951	7,183	48,797	(139,165)	1,221,886

(c) Nature and purpose of reserves

(i) Share premium account

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

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees and a consultant of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4.24 to the consolidated financial statements.

(iii) Special reserve

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

(iv) Statutory reserves

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

43. RESERVES (CONT'D)

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

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.4(iii) to the consolidated financial statements.

(vi) Convertible loan notes equity reserve

The convertible loan notes equity reserve represents the value of the unexercised equity component of convertible notes issued by the Company and was recognised from the difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component.

(vii) Shares held under share award scheme

During the year ended 31 December 2024, the Company repurchased 228,750,000 of its own ordinary shares for the share award scheme from the market, out of which, 64,750,000 ordinary shares had not been transferred as at 31 December 2024. The shares were repurchased at prices ranging from HK\$0.51 to HK\$0.95 per share, with an average price of HK\$0.69 per share.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to right-of-use assets during the year of RMB1,159,000 (2024: RMB5,655,000) were financed by leases liabilities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2025 RMB'000	Addition RMB'000	Lease modification RMB'000	Termination of lease RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2025 RMB'000
Lease liabilities (note 34)	20,486	1,159	(31)	-	(9,272)	872	(38)	13,176
Bank borrowings (note 36)	85,500	-	-	-	107,643	4,037	-	197,180
Other borrowings	958	-	-	-	1,463	-	-	2,421

	1 January 2024 RMB'000	Addition RMB'000	Lease modification RMB'000	Termination of lease RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2024 RMB'000
Lease liabilities (note 34)	23,825	5,655	(314)	(921)	(8,841)	1,074	8	20,486
Bank borrowings (note 36)	309,300	-	-	-	(231,392)	7,592	-	85,500
Other borrowings	-	-	-	-	958	-	-	958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	2,677	4,200
Within financing cash flows	8,400	7,767
	11,077	11,967

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rental paid	11,077	11,967

45. CONTINGENT LIABILITIES

The Group is a defendant in a lawsuit brought during the year ended 2018 claiming approximately RMB8.2 million together with interest relating to subcontracting services rendered by a subcontractor (the "Plaintiff"). The Group has filed a counterclaim against the Plaintiff for approximately RMB3.7 million. The lawsuit had been completed up to the date of this report.

The Group lost the lawsuit and the final outcome of the proceedings was confirmed on 23 December 2024. The Group recognised the final claims amounted to RMB3,245,000. The amount was included in trade payables as at 31 December 2024. The amount was settled in 2025.

Save as disclosed above, as at 31 December 2025 and 2024, the Group did not have other significant contingent liabilities.

46. CAPITAL COMMITMENTS

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

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	117,598	3,967

47. OPERATING LEASE ARRANGEMENTS

The Group regularly entered into short-term leases for office equipment and certain staff quarters. As at 31 December 2025 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

48. RELATED PARTY TRANSACTIONS

(a) Transaction

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

	Notes	2025 RMB'000	2024 RMB'000
Payment on lease liabilities to a related company	(a)	1,838	1,940
Income from a related company controlled by the substantial shareholder	(b)	1,348	11,800
Revenue from construction contracts with a joint venture		29,525	–

Notes:

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

(b) The related company is a wholly-owned subsidiary controlled by the substantial shareholder of the Company. The amount also constituted continuing connected transaction of the Group for the years ended 31 December 2025 and 2024.

(b) Balance

In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following balance with its related parties at the end of reporting period:

	2025 RMB'000	2024 RMB'000
Contract assets from a major shareholder	9,166	16,543
Contract assets from a joint venture	29,299	–
Trade and bills receivables due from a subsidiary of a major shareholder	800	1,266
Other receivables due from a subsidiary of a major shareholder	–	250
Other receivable due from a joint venture	10,040	–

49. EVENTS AFTER REPORTING PERIOD

On 14 January 2026, the Company proposed to conduct the rights issue on the basis of one (1) rights share (the “Rights Shares”) for every six (6) existing Shares held on the record date of 5 February 2026 at the subscription price of HK\$0.16 per Rights Share, to raise up to approximately HK\$56.9 million before expenses by way of issuing up to 355,547,898 Rights Shares (the “Rights Issue”). The Rights Issue was completed on 20 March 2026.

Details of the above Rights Issue are set forth in the announcements dated 14 January 2026, 3 March 2026 and 19 March 2026 and prospectus dated 6 February 2026.

50. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2026.

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				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
Turnover	3,981,612	1,750,927	2,591,773	2,079,022	799,930
Profit for the year attribute to owners of the Company	11,024	(208,234)	254,989	185,066	45,838

Assets and liabilities

	As at 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
Total assets	3,873,970	3,179,462	4,084,999	3,127,116	2,975,812
Total liabilities	(2,068,503)	(1,432,215)	(2,073,260)	(951,715)	(788,062)
Total equity	1,805,467	1,747,247	2,011,739	2,175,401	2,187,750

Liquidity and gearing ratio

	As at 31 December				2025
	2021	2022	2023	2024	
Current Ratio ⁽¹⁾	1.19	1.49	1.53	2.05	2.65
Quick Ratio ⁽²⁾	1.09	1.38	1.47	1.94	2.49
Gearing Ratio ⁽³⁾	29.58%	28.37%	16.56%	4.92%	9.73%

Notes:

(1) Current ratio is calculated as current assets divided by current liability.

(2) Quick ratio is calculated as current assets less inventories divided by current liability.

(3) Gearing ratio is calculated as total borrowing and lease liabilities divided by total equity and multiplied by 100%. Gearing ratio as at 31 December 2025 increased compared to that as at 31 December 2024, which was mainly due to the increase of bank borrowings.

(4) The current ratio and quick ratio increased as of 31 December 2025 compared to 31 December 2024, primarily due to a greater decrease in current liabilities than that of current assets.