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**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)**

## **2018 INTERIM RESULTS ANNOUNCEMENT**

### **FINANCIAL HIGHLIGHTS**

- Turnover was RMB711,127,000, a 286.01% increase from the same period in last year.
- Gross profit was RMB184,208,000, a 1,063.30% increase from the same period in last year.
- Profit attributable to owners of the Company was RMB18,663,000, a 3,538.01% increase from the same period in last year.
- Basic earnings per share was RMB1.143 cents for the six months ended 30 June 2018.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2018.

The board (the “Board”) of directors (the “Directors”) of Jutal Offshore Oil Services Limited (the “Company”) is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2018 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2017. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been reviewed by the audit committee of the Company (the “Audit Committee”). RSM Hong Kong, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	Note	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Unaudited)</b>
<b>Revenue</b>	4	<b>711,127</b>	184,224
Cost of sales and service		<u><b>(526,919)</b></u>	<u>(168,389)</u>
<b>Gross profit</b>		<b>184,208</b>	15,835
Other income	5	<b>25,795</b>	11,946
Administrative expenses		<b>(123,066)</b>	(51,666)
Impairment loss on trade and other receivables		<b>(1,980)</b>	(975)
Impairment loss on contract assets		<b>(578)</b>	-
Other operating expenses		<u><b>(23,171)</b></u>	<u>(671)</u>
<b>Profit/(loss) from operations</b>		<b>61,208</b>	(25,531)
Finance costs	6	<b>(25,777)</b>	(4,190)
Share of profits of an associate		<u>-</u>	<u>32,034</u>
<b>Profit before tax</b>		<b>35,341</b>	2,313
Income tax expense	7	<u><b>(16,768)</b></u>	<u>(1,800)</u>
<b>Profit for the period attributable to owners of the Company</b>	8	<u><b>18,663</b></u>	<u>513</u>
<b>Earnings per share</b>	9	RMB	RMB
Basic		<u>1.143 CENTS</u>	<u>0.055 CENTS</u>
Diluted		<u>1.130 CENTS</u>	<u>0.054 CENTS</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<u>18,663</u>	<u>513</u>
<b>Other comprehensive income:</b>		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>15,528</u>	<u>(6,673)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>15,528</u>	<u>(6,673)</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u><u>34,191</u></u>	<u><u>(6,160)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2018**

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
<b>Non-current assets</b>			
Fixed assets	10	1,567,046	1,621,710
Prepaid land lease payments		319	352
Goodwill		54,648	54,648
Intangible assets		3,469	2,942
Trade receivable, non-current	11	18,154	-
Other receivable, non-current		8,509	-
Deferred tax assets		4,033	2,268
		<u>1,656,178</u>	<u>1,681,920</u>
<b>Current assets</b>			
Inventories		160,077	57,268
Trade and bills receivables	11	721,863	424,799
Contract assets		425,922	-
Gross amount due from customers for contract work		-	410,882
Prepayments, deposits and other receivables		292,104	158,565
Derivative financial instruments		-	4,865
Due from directors		522	411
Current tax assets		2,714	613
Pledged bank deposits		52,971	298,554
Bank and cash balances		720,639	1,443,302
		<u>2,376,812</u>	<u>2,799,259</u>
<b>Current liabilities</b>			
Trade and bills payables	12	565,889	955,435
Contract liabilities		51,248	-
Gross amount due to customers for contract work		-	37,524
Accruals and other payables		108,816	126,715
Loan from ultimate holding company		-	80,000
Provisions		221,519	221,828
Bank and other borrowings		517,502	567,772
Current tax liabilities		49,390	44,167
		<u>1,514,364</u>	<u>2,033,441</u>
<b>Net current assets</b>		<u>862,448</u>	<u>765,818</u>
<b>Total assets less current liabilities</b>		<u>2,518,626</u>	<u>2,447,738</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2018**

	Note	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred revenue		37,077	39,870
Bank and other borrowings		357,386	278,000
Deferred tax liabilities		57,239	70,934
		<u>451,702</u>	<u>388,804</u>
<b>NET ASSETS</b>		<u><b>2,066,924</b></u>	<u>2,058,934</u>
<b>Capital and reserves</b>			
Share capital	13	14,755	14,739
Reserves		2,052,169	2,044,195
<b>TOTAL EQUITY</b>		<u><b>2,066,924</b></u>	<u>2,058,934</u>

## NOTES:

### 1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements. The impact of the adoption of HKFRS 9 and HKFRS 15 have been summarised in below.

#### **HKFRS 9 Financial Instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and contract assets, and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

## 2. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

### **HKFRS 9 Financial Instruments (cont'd)**

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets including trade and other receivables and cash and cash equivalents to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Measurement

The adoption of HKFRS 9 has no significant impact on the measurement of the Group's financial assets.

(c) Impairment

For trade and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	RMB'000
Increase in impairment losses for:		
- Trade and bills receivables	(a)	325
- Contract assets	(b)	560
- Prepayments, deposits and other receivables	(a)	182
Related tax		(240)
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018		<u>827</u>

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

**HKFRS 9 Financial Instruments (cont'd)**

(c) Impairment (cont'd)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 RMB'000	Carrying amount under HKFRS 9 RMB'000
Trade and bills receivables	(a)	Loans and receivables	Amortised cost	424,799	424,474
Prepayment, deposits and other receivables	(a)	Loans and receivables	Amortised cost	158,565	158,383

(a) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of approximately RMB507,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9.

(b) Gross amount due from customers for contract work recognised in relation to the Group's construction contracts was reclassified as contract assets at 1 January 2018 under HKFRS 15. Contract assets are assessed for impairment in accordance with HKFRS 9. An increase of approximately RMB560,000 in the allowance for impairment over contract assets was recognized in opening retained earnings at 1 January 2018.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	RMB'000
Impairment allowance at 31 December 2017 under HKAS 39		10,879
Additional impairment recognised at 1 January 2018 on:		
- Trade and bills receivables as at 31 December 2017	(a)	325
- Gross amount due from customers for contract work as at 31 December 2017 / contract assets as at 1 January 2018	(b)	560
- Prepayments, deposits and other receivables 31 December 2017	(a)	182
Impairment allowance at 1 January 2018 under HKFRS 9		<u>11,946</u>

Impairment losses related to trade and other receivables and contract assets are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to approximately RMB975,000 recognised under HKAS 39, from "other operating expenses" to "impairment loss on trade and other receivables" and "impairment loss on contract assets" in the statement of profit or loss for the six months ended 30 June 2017.



## 2. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 resulted in the following key changes to the Group's accounting policies.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to the customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

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 regards as being transferred over time or at a point in time. Control of the promised goods or services is regarded as being transferred over time when:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If the contract terms and the Group's activities do not fall into these 3 situations, then under HKFRS 15 the Group recognises revenue for the transferring goods or services to the customer at a point in time.

If control of the promised goods or services regards as transfers over time, revenue is recognised over the period of the contract by the method that best depicts the Group's performance in satisfying the performance obligation.

A contract asset represents the Group's right to consideration in exchange for the goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

### HKFRS 15 Revenue from Contracts with Customers (cont'd)

Set out below is the impact of the adoption of HKFRS 15 on the Group.

The following table summarises the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	RMB'000
Revenue and related costs from contracts previously recognized as overtime and recognised as a point of time under HKFRS 15	(a)	(1,268)
Revenue from contracts with financing component	(b)	(3,986)
Related tax		942
Adjustment to retained earnings from adoption of HKFRS 15 on 1 January 2018		<u>(4,312)</u>

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

<u>Consolidated statement of financial position (extract)</u>	Note	Previously stated as at 31 December 2017 RMB'000	Reclassification under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	Restated as at 1 January 2018 RMB'000
Trade and bills receivables	(b)	424,799	-	(3,632)	421,167
Contract assets	(a) & (c)	-	410,882	(1,622)	409,260
Gross amount due from customers for contract work	(c)	410,882	(410,882)	-	-
Contract liabilities	(c)	-	(39,929)	-	(39,929)
Accruals and other payables	(c)	(126,715)	2,405	-	(124,310)
Gross amount due to customers for contract work	(c)	(37,524)	37,524	-	-
Deferred tax liabilities	(a) & (b)	(70,934)	-	942	(69,992)
Retained earnings		(371,884)	-	4,312	(367,572)

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

### HKFRS 15 Revenue from Contracts with Customers (cont'd)

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

As at 30 June 2018	Note	As reported RMB'000	Effect of the adoption of HKFRS 15 RMB'000	Amounts without adoption of HKFRS15 RMB'000
<u>Consolidated statement of financial position (extract)</u>				
Trade and bills receivables	(b)	740,017	3,632	743,649
Contract assets	(c)	425,922	(425,922)	-
Gross amount due from customers for contract work	(a) & (b) & (c)	-	426,115	426,115
Accruals and other payables	(c)	(108,816)	(4,891)	(113,707)
Contract liabilities	(c)	(51,248)	51,248	-
Gross amount due to customers for contract work	(c)	-	(44,997)	(44,997)
Deferred tax liabilities	(a) & (b)	(57,239)	(849)	(56,390)
Retained earnings		(385,358)	(4,336)	(389,694)
Six months ended 30 June 2018	Note	As reported	Effect of the adoption of HKFRS 15	Amounts without adoption of HKFRS15
<u>Consolidated statement of profit or loss (extract)</u>				
Revenue	(a) & (b)	711,127	28,307	739,434
Cost of sales and service	(a)	(526,919)	(27,264)	(554,183)
Other income	(b)	25,795	(1,112)	24,683
Income tax expense	(b)	16,768	93	16,861

- (a) For uncompleted contracts as at 1 January 2018 that do not meet the criterion for the control of the promised goods or services regards as being transferred overtime, the revenue, cost of sales and receives and contract assets is adjusted as if the control of the promised goods or services regards as being transferred at a point of time.
- (b) For contracts where the period between the payment by the customer and the transfer of goods or provide services to customers exceeds one year, the transaction price is adjusted for the effects of a financing component.
- (c) Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15:

Contract assets recognised in relation to the Group's construction contracts were previously presented as gross amount due from customers for contract work.

Contract liabilities for progress billing recognised in relation to the Group's construction contracts were previously presented as gross amount due to customers for contract work.

### 3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Fabrication of facilities and provision of integrated services for oil and gas industries (“oil and gas segment”).
- Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries (“other energy and refinery and chemical segment”).
- Provision of technical support services for shipbuilding industry (“shipbuilding service segment”).

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

The Group’s other operating segment mainly represents provision of undersea maintenance services for industries other than oil and gas, other energy and refinery and shipbuilding. This segment does not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segments is included in the ‘others’ column.

	Oil and gas segment RMB’000 (Unaudited)	Other energy and refinery and chemical segment RMB’000 (Unaudited)	Shipbuilding service segment RMB’000 (Unaudited)	Others RMB’000 (Unaudited)	Total RMB’000 (Unaudited)
<b>Six months ended 30 June 2018</b>					
Revenue from external customers	441,517	261,757	6,289	1,564	711,127
Segment profit/(loss)	156,285	28,004	(786)	705	184,208
<b>At 30 June 2018:</b>					
Segment assets	2,432,475	660,993	13,557	13,957	3,120,982
Segment liabilities	904,168	138,200	7,375	2,097	1,051,840
Six months ended 30 June 2017 (restated)					
Revenue from external customers	171,679	-	8,786	3,759	184,224
Segment profit/ (loss)	15,923	-	(175)	87	15,835
At 31 December 2017:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,291,592	288,652	32,443	18,985	2,631,672
Segment liabilities	1,154,848	150,249	17,558	4,239	1,326,894

<b>Six months ended 30 June</b>	
<b>2018</b>	<b>2017</b>
<b>RMB’000</b>	<b>RMB’000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

Reconciliations of segment profit:

Total profit of reportable segments	184,208	15,835
Unallocated amounts:		
Other income	25,795	11,946
Finance costs	(25,777)	(4,190)
Other corporate expenses	(148,795)	(53,312)
Share of profits of an associate	-	32,034
Consolidated profit before tax for the period	35,431	2,313

## 4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying HKFRS 15 on the Group's interim financial statements are disclosed in note 2.

In the following table, revenue is disaggregated by timing of revenue recognition.

For the six months ended 30 June (unaudited)	Oil and gas segment		Other energy and refinery and chemical segment		Shipbuilding service segment		Others		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Timing of revenue recognition</b>										
Goods and services transferred at a point in time	92,084	94	222,811	-	-	-	-	-	314,895	94
Goods and services transferred over time	349,433	171,585	38,946	-	6,289	8,786	1,564	3,759	396,232	184,130
<b>Total</b>	<b>441,517</b>	<b>171,679</b>	<b>261,757</b>	<b>-</b>	<b>6,289</b>	<b>8,786</b>	<b>1,564</b>	<b>3,759</b>	<b>711,127</b>	<b>184,224</b>

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	<b>30 June 2018</b> <b>RMB'000</b> <b>(Unaudited)</b>	1 January 2018 RMB'000 (Unaudited)
Trade and bills receivables	740,017	421,167
Contract assets	425,922	409,260
Contract liabilities	<u>51,248</u>	<u>39,929</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's construction services. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from and advance progress billings issued to customers for the Group's construction services, for which revenue is recognised over time.

The amount of approximately RMB22,830,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.

5. **OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain on disposals of property, plant and equipment	115	5
Interest income	8,789	611
Net foreign exchange (losses)/gains	(1,048)	1,586
Government grant recognised	3,327	9,181
Compensation income	14,439	-
Sundry income	173	563
	<u>25,795</u>	<u>11,946</u>

6. **FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans	23,015	3,568
Others	2,762	622
	<u>25,777</u>	<u>4,190</u>

7. **INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax - PRC Enterprise Income Tax		
Provision for the period	30,915	2,505
Under provision in prior periods	128	218
	<u>31,043</u>	<u>2,723</u>
Deferred tax	(14,275)	(923)
	<u>16,768</u>	<u>1,800</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the periods ended 30 June 2018 and 2017.

The People's Republic of China (the "PRC") Enterprise Income Tax has been provided on the assessable profit of the Group's subsidiaries in the PRC in accordance with the relevant PRC Enterprise Income Tax laws and regulations.

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

## 8. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Allowance for inventories	<b>3,001</b>	1,467
Allowance for trade and other receivables	<b>1,979</b>	975
Gain on disposal of property, plant and equipment	<b>115</b>	-
Allowance for contract assets	<b>578</b>	-
Fair value gains on derivative financial instruments	<b>(5,394)</b>	(238)
Directors' emoluments		
- As directors	<b>187</b>	187
- For management	<b>2,268</b>	2,271
- Share-based payments	<b>3,741</b>	1,977
	<b>6,196</b>	4,435

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>18,663</b>	513
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>1,633,276,058</b>	935,411,191
Effect of dilutive potential ordinary shares arising from share options	<b>17,946,108</b>	17,554,060
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>1,651,222,166</b>	952,965,251

## 10. FIXED ASSETS

During the six months ended 30 June 2018, the Group acquired fixed assets of approximately RMB 10,847,000 (six months ended 30 June 2017: RMB1,336,000).

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Trade receivables	647,897	421,874
Allowance for doubtful debts	<u>(10,326)</u>	<u>(8,215)</u>
	<b>637,571</b>	413,659
 Bills receivables	 <u>102,446</u>	 <u>11,140</u>
	<b>740,017</b>	<b>424,799</b>
 Classified as:		
Trade and bills receivable, non-current	<b>18,154</b>	-
Trade and bills receivable, current	<u>721,863</u>	<u>424,799</u>
	<b>740,017</b>	<b>424,799</b>

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

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Billed:		
0 to 30 days	234,737	107,482
31 to 90 days	167,860	61,505
91 to 365 days	88,385	53,777
Over 365 days	<u>23,783</u>	<u>15,722</u>
	<b>514,765</b>	238,486
Unbilled	<u>122,806</u>	<u>175,173</u>
	<b>637,571</b>	<b>413,659</b>



12. **TRADE AND BILLS PAYABLES**

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Trade payables	503,775	821,750
Bills payables	<u>62,114</u>	<u>133,685</u>
	<u><b>565,889</b></u>	<u><b>955,435</b></u>

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

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
0 to 30 days	105,633	609,354
31 to 90 days	86,754	81,379
91 to 365 days	279,460	74,950
Over 365 days	<u>31,928</u>	<u>56,067</u>
	<u><b>503,775</b></u>	<u><b>821,750</b></u>

13. **SHARE CAPITAL**

	<u>Number of shares</u>	<u>Amount</u> HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	<u>4,000,000,000</u>	<u>40,000</u>

### 13. SHARE CAPITAL (CON'T)

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares	Amount HK\$'000	Equivalent to amount RMB'000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January 2017 (Audited)		800,354,278	8,004	7,506
Exercise of share options	(a)	8,100,000	81	70
Issue of shares on subscription	(b)	803,562,111	8,036	6,990
Exercise of share options	(c)	20,000,000	200	173
At 31 December 2017 (Audited)		<u>1,632,016,389</u>	<u>16,321</u>	<u>14,739</u>
Exercise of share options	(d)	<u>2,000,000</u>	<u>20</u>	<u>16</u>
At 30 June 2018 (Unaudited)		<u><u>1,634,016,389</u></u>	<u><u>16,341</u></u>	<u><u>14,755</u></u>

Notes:

- (a) Share options were exercised by option holders during the year ended 31 December 2017 to subscribe for a total of 8,100,000 ordinary shares in the Company at total consideration of approximately HK\$10,131,640 equivalent to approximately RMB9,464,000 of which approximately RMB70,000 was credited to share capital and the balance of approximately RMB9,394,000 was credited to the share premium account. Approximately RMB2,577,000 has been transferred from the share-based payment reserve to the share premium account.
- (b) On 15 March 2017, Sanju Environmental Protection (Hong Kong) Limited and Golden Talent (HK) Technology Co., Limited (together refer to as the "Subscribers") and the Company entered into a subscription agreement pursuant to which the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 803,562,111 subscription shares of the Company at subscription price of HK\$1.2 per subscription share (the "Subscription").
- The Subscription was completed on 2 June 2017 and the premium on the issue of shares, amounting to approximately RMB830,669,000, net of share issue expenses, was credited to the Company's share premium account.
- (c) 20,000,000 warrants were exercised by the warrant holders during the year ended 31 December 2017 to subscribe for a total of 20,000,000 ordinary shares in the Company at total consideration of approximately HK\$42,000,000, equivalent to approximately RMB36,456,000 of which approximately RMB173,000 was credited to share capital and the balance of approximately RMB36,283,000 was credited to the share premium account. Approximately RMB160,000 has been transferred from the warrants reserve to the share premium account.
- (d) Share options were exercised by option holders during six months ended 30 June 2018 to subscribe for a total of 2,000,000 ordinary shares in the Company at total consideration of approximately HK\$3,240,000 equivalent to approximately RMB2,593,000 of which approximately RMB16,000 was credited to share capital and the balance of approximately RMB2,577,000 was credited to the share premium account. Approximately RMB695,000 has been transferred from the share-based payment reserve to the share premium account.

## 14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (At 31 December 2017: Nil).

## 15. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standard issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

### **HKFRS 16 leases**

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office, staff quarters, warehouses and machineries leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. REVIEWS

After the acquisition of Penglai Jutal Offshore Engineering Heavy Industries Company Limited\* (蓬萊巨濤海洋工程重工有限公司) (“Penglai Jutal”) was completed in late 2017, the Group has further integrated and adjusted its business operation and corporate management structure to clarify different business segments and improve the fabrication yard utilization, with a view to optimize resource allocation for the strategic development of the Company. Attributable to the good cooperation with our controlling shareholder and the complementarity of strengths of group companies, while sustaining the stable growth in its existing business, the Group has also made useful attempt in exploring other business areas such as the manufacture and sale of refining and chemical related equipment, environmental protection equipment and biomass diesel.

The financial result of Penglai Jutal has been consolidated into the financial statements of the Group since after the completion of the acquisition, which has expanded the asset size and improved the financial performance of the Group. With its good reputation in the industry and outstanding production conditions, in the first half of 2018, Penglai Jutal has obtained a large-scale natural gas petrochemical modules construction contract of nearly total 100,000 tons with a contractual amount over RMB2 billion. The final delivery is scheduled to be completed in the first quarter of 2021.

#### *Turnover*

Upon completion of the acquisition of Penglai Jutal in late 2017, the financial result of Penglai Jutal has been consolidated into the Group’s consolidated financial statements for the period ended 30 June 2018. Together with the turnover from new business undertaken with Shareholders and the increase of the Group’s business, the Group recorded turnover of approximately RMB 711,127,000, representing an increase of RMB 526,903,000 or 286.01% as compared with the corresponding period of last year. Turnover from the fabrication of facilities and provision of integrated services for oil and gas industries increased by RMB 269,838,000 or 157.18% as compared with the corresponding period of last year, which was mainly due to the increase in workload of the Group’s traditional businesses and the consolidation of Penglai Jutal’s financial statements. Turnover from the fabrication of facilities and provision of integrated service for other energy and refining and chemical industries amounted to RMB 261,757,000. Turnover from the provision of technical support services for shipbuilding industry decreased by RMB 2,497,000 or 28.42% as compared with the corresponding period of last year, which was mainly due to the decrease of workload caused by the weak ship-building market.

The table below set out the analysis of turnover by product and service categories for the six months ended 30 June 2016, 2017 and 2018:

Product/service	For the six months ended 30 June					
	2018		2017		2016	
	RMB'000	Percentage of total turnover%	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Fabrication of facilities and provision of integrated services for oil and gas industries	441,517	62	171,679	93	354,683	97
2. Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries	261,757	37	-	-	-	-
3. Provision of technical support services for shipbuilding industry	6,289	1	8,786	5	12,439	3
4. Others	1,564	0	3,759	2	-	-
<b>Total</b>	<b>711,127</b>	<b>100</b>	<b>184,224</b>	<b>100</b>	<b>367,122</b>	<b>100</b>

### *Cost of Sales and Service*

During the reporting period, cost of sales and services of the Group amounted to approximately RMB526,919,000, representing an increase of RMB358,530,000 or 212.92% when compared with that of the corresponding period of last year. It was mainly caused by the significant increase in turnover over last year. Cost of sales and service comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB455,986,000, representing 86.54% of total cost of sales and service, and an increase of RMB314,548,000 or 222.39% from RMB141,438,000 of the corresponding period of last year. The Group calculates the cost of sales and service of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and service varies from project to project. Manufacturing overheads has increased by RMB43,982,000 or 163.19% from RMB26,951,000 of the corresponding period of last year to approximately RMB70,933,000 in current reporting period.

### *Gross Profit*

During the reporting period, the total amount of gross profit of the Group amounted to approximately RMB184,208,000, representing an increase of RMB168,373,000 or 1,063.30% when compared with RMB15,835,000 of the corresponding period of last year. The overall gross profit margin increased to 25.90% from 8.6% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The increase in the overall gross profit margin was mainly due to the reduce of final settlement amount of subcontracting fee and other expenses of a few projects and; higher gross profit recorded by certain projects of the fabrication of facilities and provision of integrated services for oil and gas industries.

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2016, 2017 and 2018:

Product/service	For the six months ended 30 June								
	2018			2017			2016		
	RMB '000	Gross profit margin %	Percentage of total gross profit	RMB '000	Gross profit margin %	Percentage of total gross profit	RMB '000	Gross profit margin %	Percentage of total gross profit
1. Fabrication of facilities and provision of integrated services for oil and gas industries	156,285	35	85	15,923	9	100	50,392	14	100
2. Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries	28,004	11	15	-	-	-	-	-	-
3. Provision of technical support services for shipbuilding industry	-786	-12	0	-175	-2	-1	32	0	0
4. Others	705	45	0	87	2	1	-	-	-
<b>Total</b>	<b>184,208</b>		<b>100</b>	<b>15,835</b>		<b>100</b>	<b>50,424</b>		<b>100</b>

#### *Other income*

Other income of the Group in the first half of 2018 amounted to approximately RMB 25,795,000, comprising interest income, income from government grants and compensation income.

#### *Administrative and Other Operating Expenses*

Administrative and other operating expenses of the Group in aggregate in the first half of 2018 were approximately RMB146,237,000, representing an increase of RMB93,900,000 when compared with that of the corresponding period of last year, which was mainly due to the increase in administrative costs caused by the consolidation of financial results of Penglai Jutal to the Group and increase in foreign exchange loss arising from fluctuation in exchange rate and increase in salary and professional institution fees during the current period.

#### *Finance Costs*

During the reporting period, the finance costs of the Group amounted to approximately RMB25,777,000, which was mainly comprised of interest expenses from bank borrowings and bank charges.

#### *Profit for the Period Attributable to Owners of the Company*

In the first half year of 2018, profit attributable to owners of the Company amounted to approximately RMB18,663,000, which represented an increase of RMB18,150,000 or 3,538.01% when compared with that of the corresponding period of last year. Basic earnings per share attributable to owners of the Company was RMB1.143 cents.

### ***Liquidity and Financial Resources***

As at 30 June 2018, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB720,639,000 (31 December 2017: RMB1,455,265,000). During the period, net cash outflows from operating activities amounted to approximately RMB915,656,000, net cash inflows from investing activities amounted to approximately RMB222,303,000, and net cash outflows from financing activities amounted to RMB56,801,000.

As at 30 June 2018, the Group had available undrawn banking facilities of approximately RMB791,108,000 (31 December 2017: RMB228,723,000), which includes bank loans, letters of credit, bank guarantees, etc.

### ***Capital Structure***

During the reporting period, the Company issued 2,000,000 ordinary shares upon exercise of share options by the holders.

As at 30 June 2018, the share capital of the Company comprises 1,634,016,389 ordinary shares (31 December 2017: 1,632,016,389 ordinary shares).

As at 30 June 2018, net assets of the Group amounted to approximately RMB2,066,924,000 (31 December 2017: RMB2,058,934,000), which comprises non-current assets of approximately RMB1,656,178,000 (31 December 2017: RMB1,681,920,000), net current assets of approximately RMB862,448,000 (31 December 2017: RMB765,818,000) and non-current liabilities of approximately RMB451,702,000 (31 December 2017: RMB388,804,000).

### ***Significant Investment***

For the six months ended 30 June 2018, the Group did not have any significant investment. Investment in relation to the site construction may be commenced in the second half of the year based on actual needs of the Group.

### ***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”) would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were denominated in other currencies like USD, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts.

### ***Assets Pledged by the Group***

As at 30 June 2018, approximately RMB52,971,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

At 30 June 2018, the carrying amount of property, plant and equipment pledged as security for the Group’s bank and other borrowings amounted to approximately RMB131,117,000 (31 December 2017: RMB10,331,000).

### ***Contingent Liabilities***

As at 30 June 2018, the Group did not have any significant contingent liabilities.

### ***Capital Management***

The Group's main 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 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 its capital by using a gearing ratio, which is total bank borrowings divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

The gearing ratios of the Group as at 30 June 2018 and as at 31 December 2017 were as follows:

	<b>30 June 2018</b>	31 December 2017
	<b>RMB'000</b>	RMB'000
Total bank and other borrowings	<b>874,888</b>	925,772
Total equity	<b>2,066,924</b>	2,058,934
Gearing ratio	<b>42.33%</b>	44.96%

The decrease in gearing ratio for the period resulted primarily from the reduction in bank and other borrowings. The Group adjusts the amount of bank loan facilities from time to time to meet the group's working capital needs.

### ***Employees and Remuneration Policy***

As at 30 June 2018, the Group had total 2,871 employees (31 December 2017: 3,399), of which 1,143 (31 December 2017: 978) were management and technical staff, and 1,728 (31 December 2017: 2,421) were technicians.

The Group encourages staff to build long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds, including pension fund, medical, unemployment and industrial accident insurances, and house provident fund for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding laws and regulations.

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

## **2. FUTURE OUTLOOK**

The macroeconomic environment has presented complexity and uncertainties in the year of 2018. With the philosophy of safe and sound development, the Group will further strengthen internal control and operation management. In response to the external changes and our development strategies, the Group will conduct ongoing supervision and inspection upon existing projects and carry out in-depth evaluation on possible project opportunities, so as to proactively and duly forge ahead with its work.

The market development remains on the top of the Group's work list. As global oil prices rebound and stabilize, the capital expenditure on oil and gas has stepped up in the global market, bringing long term opportunities to oil and gas equipment and oil and gas service industry. By leveraging on our construction strengths, we will strive for overseas large-scale modules construction businesses. Besides, we have established agencies in North America to push forward local market promotion. The Group will further improve site facilities and construction capabilities to satisfy the business demands, in a bid to meet the requirements of large scale construction work in the future.



## **DIRECTORS REPORT AND CORPORATE GOVERNANCE**

### **INTERIM DIVIDEND**

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE**

Save as the share options granted to the Directors under the Share Option Scheme of the Company, at no time during the period, the Directors and chief executive (including their spouse and children under 18 years of age) had any other 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).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

### **CORPORATE GOVERNANCE**

The Company had adopted the Corporate Governance Code (the "Code Provisions") introduced in Appendix 14 of the Listing Rules by the Stock Exchange to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders.

In the opinion of the Directors, the Company has complied with the Code Provisions during the reporting period, save and except the Company provides the three board members, namely Mr. Liu Lei, Mr. Wang Lishan and Mr. Cao Yunsheng, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have access to the monthly internal financial statements as well. The reason for such deviation from the Code Provisions is to enhance the Company's management efficiency.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

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

### **AUDIT COMMITTEE**

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2018 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

## **OTHER COMPLIANCE**

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise. During the reporting period, Mr. Cao Huafeng and Mr. Sergey Borovskiy resigned as executive directors of the Company and subsequent to their resignation, Mr. Tang Hui and Mr. Liu Yunian were appointed as executive directors of the Company. Details of the Directors' biographies were set out in the 2017 Annual Report and the announcement of the Company dated 8 June 2018.

By Order of the Board  
**Jutal Offshore Oil Services Limited**  
**Liu Lei**  
*Chairman*

Hong Kong, 23 August 2018

*\* For identification purposes only*

*As at the date of this announcement, the executive Directors are Mr. Liu Lei (Chairman), Mr. Wang Lishan, Mr. Lin Ke, Mr. Cao Yunsheng, Mr. Tang Hui and Mr. Liu Yunian; and the independent non-executive Directors are Mr. Su Yang, Mr. Zheng Yimin and Mr. Qi Daqing.*