THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jutal Offshore Oil Services Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

JUTAL

JUTAL OFFSHORE OIL SERVICES LIMITED
巨濤海洋石油服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3303)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN PENGLAI JUTAL OFFSHORE ENGINEERING HEAVY INDUSTRIES COMPANY LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 4 to 10 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 10th Floor, Chiwan Petroleum Building, Shekou, Shenzhen, the People's Republic of China at 11:00 a.m. on Tuesday, 26 December 2017 is set out on pages EGM-1 to EGM-2 of this circular. The extraordinary general meeting is to be held to approve matters referred to in this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

8 December 2017

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed acquisition of Target Equity Interest by Zhuhai Jutal from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in the PRC are open for general banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Jutal Offshore Oil Services Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition
"connected person"	has the same meaning as ascribed to it under the Listing Rules
"Consideration"	the total consideration of RMB571,868,400 (equivalent to approximately HK$680,523,396) for the Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held to consider and, if thought fit, approve the ordinary resolution in respect of the Equity Transfer Agreement and the Acquisition
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Equity Transfer Agreement"	the equity transfer agreement dated 27 November 2017 entered into between Zhuhai Jutal and the Vendor in relation to the Acquisition

"Golden Talent"	Golden Talent (HK) Technology Co., Limited, a company incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	the independent third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
"Latest Practicable Date"	6 December 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange
"Mr. Wang"	Mr. Wang Lishan (王立山), the executive Director and a substantial shareholder of the Company (as defined under the Listing Rules)
"Penglai Jutal"	Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司), a company established in the PRC with limited liability and is owned as to 30% by Stand Success and 70% by the Vendor respectively as at the Latest Practicable Date, hence an associate company of the Company
"PRC"	the People's Republic of China, and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Sanju HK"	Sanju Environmental Protection (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which is a substantial shareholder of the Company (as defined under the Listing Rules)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Stand Success"	Stand Success Resources Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUAEE"	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
"substantial shareholder"	has the same meaning as ascribed to it under the Listing Rules
"Target Equity Interest"	the 70% equity interest in Penglai Jutal
"Valuer"	Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), the professional valuer commissioned by the Vendor for the purpose of the public tender, which is an Independent Third Party
"Vendor"	Shenzhen Chiwan Sembawang Engineering Co., Ltd.* (深圳赤灣勝寶旺工程有限公司), a company established in the PRC with limited liability
"Zhuhai Jutal"	Zhuhai Jutal Offshore Oil Services Company Limited* (珠海巨濤海洋石油服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

* *The English translation of Chinese names or words in this circular, where indicated, are included for information purposes only, and should not be regarded as the official English translation of such Chinese names or words.*

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK$ at the rate of RMB1=HK$1.19. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

If there is any discrepancy between the Chinese version and English version of this circular, the English version shall prevail.

JUTAL OFFSHORE OIL SERVICES LIMITED
巨濤海洋石油服務有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3303)

Executive Directors:
Mr. Liu Lei *(Chairman)*
Mr. Wang Lishan
Mr. Lin Ke
Mr. Cao Yunsheng
Mr. Cao Huafeng
Mr. Sergey Borovskiy

Independent Non-executive Directors:
Mr. Su Yang
Mr. Qi Daqing
Mr. Zheng Yimin

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

Principal place of business in Hong Kong:
1102-1103,
11th Floor,
No. 9 Queen's Road Central,
Hong Kong

8 December 2017

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN PENGLAI JUTAL OFFSHORE ENGINEERING HEAVY INDUSTRIES COMPANY LIMITED

1. INTRODUCTION

On 25 September 2017, the Vendor has arranged to dispose of its Target Equity Interest, representing 70% equity interest in Penglai Jutal at the initial ask price of RMB630,859,600 through open tender on SUAEE. The initial tender period for the Target Equity Interest on SUAEE was taken place from 25 September 2017 to 26 October 2017. As no bid was received during the initial tender period, the Vendor had exercised at its option to proceed with, and reduce the ask price for the second round of tender, which were taken place between 30 October 2017 and 24 November 2017. The Company had submitted its tender on 24 November 2017.

As announced by the Company on 27 November 2017, Zhuhai Jutal, an indirect wholly-owned subsidiary of the Company, has successfully won the tender for the acquisition of Target Equity Interest. As such, on 27 November 2017, Zhuhai Jutal and the Vendor entered into the Equity Transfer Agreement, pursuant to which Zhuhai Jutal has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Equity Interest, representing 70% equity interest in Penglai Jutal, at the Consideration of RMB571,868,400 (equivalent to approximately HK$680,523,396). The Consideration will be settled by the Group in full in cash.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to, among other things, the Shareholders' approval requirements.

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the EGM including, among other things, (a) further details of the Acquisition; (b) the financial information of the Group; (c) the financial information of Penglai Jutal; (d) the unaudited pro forma financial information of the Enlarged Group as a result of the Acquisition; (e) a notice convening the EGM; and (f) other information as required by the Listing Rules.

2. THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

Date : 27 November 2017

Parties : (i) 深圳赤灣勝寶旺工程有限公司 (Shenzhen Chiwan Sembawang Engineering Co., Ltd.*), being the Vendor; and

(ii) Zhuhai Jutal, being the purchaser.

As at the Latest Practicable Date, Stand Success, an indirectly wholly-owned subsidiary of the Company, owns 30% equity interest in Penglai Jutal. Therefore, Penglai Jutal is an associate company of the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its ultimate shareholders is an Independent Third Party.

Equity interest to be acquired

Pursuant to the Equity Transfer Agreement, Zhuhai Jutal has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Equity Interest, representing 70% equity interest in Penglai Jutal.

Consideration

The Consideration of RMB571,868,400 (equivalent to approximately HK$680,523,396) shall be payable by Zhuhai Jutal to the Vendor in full in cash in the following manners:

(a) RMB171,560,520 (equivalent to approximately HK$204,157,019), being 30% of the Consideration, as security payment, which had been paid by Zhuhai Jutal to SUAEE and has formed part of the Consideration; and

(b) RMB400,307,880 (equivalent to approximately HK$476,366,377), being the remaining balance of the Consideration, shall be payable to an account designated by SUAEE within five (5) Business Days upon the Equity Transfer Agreement becomes effective.

The total Consideration of RMB571,868,400 paid to the account designated by SUAEE will be transferred to the account designated by the Vendor upon the issuance of transfer certificate by SUAEE.

As at the Latest Practicable Date, the Group intends to satisfy the Consideration by the external borrowing and internal resources of the Company in the amount of RMB400.30 million (equivalent to approximately HK$476.4 million), representing 70% of the Consideration, and RMB171.56 million (equivalent to approximately HK$204.16 million), representing 30% of the Consideration, respectively. The Group has identified certain banks for provision of the said fund and negotiation has been undergone.

Basis of the determination of the Consideration

The Consideration was determined by arm's length negotiation conducted by the Vendor and the Purchaser based on (a) the ask price offered by the Vendor of RMB571,868,400 (equivalent to approximately HK$680,523,396); and (b) the valuation of Penglai Jutal of RMB571,868,400 conducted by the Valuer based on asset-based method with reference to the total assets and liabilities of Penglai Jutal as at 31 December 2016 (the "**Valuation**").

In determining the Consideration, the Directors have reviewed the financial information of Penglai Jutal as at 30 June 2017 and appointed Colliers International (Hong Kong) Limited ("**Colliers**"), an independent professional valuer, to re-assess and express an independent opinion on the market value of 100% equity interest of Penglai Jutal (the "**Reassessed Valuation**"). Based on the preliminary valuation prepared on market approach prepared by Colliers, the fair market value of 100% equity interest of Penglai Jutal is approximately RMB1,920,143,000 as at 30 September 2017. Subsequent to the date of the Equity Transfer Agreement, the Directors received a valuation report from Colliers in respect of the valuation of 100% equity interest of Penglai Jutal as at 30 September 2017 and the valuation results stated in the said valuation report is approximately RMB1,857,000,000 (the "**Final Valuation**"). As advised by Colliers, the difference between the Reassessed Valuation and the Final Valuation is approximately RMB63,143,000. This difference is due to the updated financial information regarding the earnings before interest, tax, depreciation and amortization expenses ("**EBITDA**") of Penglai Jutal, as stated in the unaudited financial statements of Penglai Jutal as at 30 September 2017. This updated financial information is provided by the management of Penglai Jutal to Colliers in conducting assessment of the Final Valuation. The Directors have discussed with Colliers in respect of the major assumptions of the Reassessed Valuation and considered that the preliminary valuation of Penglai Jutal prepared by Colliers are made after due and careful enquiry. As the fair value under the said valuation reports were not determined by using the income approach based on the discounted cash flow method, both the Valuation and the Reassessed Valuation does not constitute a profit forecast under Rule 14.61 of the Listing Rules.

In particular, the Directors have considered other factors including the outlook and development of the fabrication services provided by Penglai Jutal in the PRC market, future planning for development and strategic synergies between the Company and Penglai Jutal. In light of the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Effective date of the Equity Transfer Agreement

The Equity Transfer Agreement will become effective on the next Business Day following (i) the due execution of the Equity Transfer Agreement by the respective legal representatives of both parties; (ii) the passing of the resolutions by the Shareholders at the EGM approving the Equity Transfer Agreement, and the transactions contemplated thereunder pursuant to the requirements of the Listing Rules and all other relevant rules and regulations and (iii) the payment of dividend, which has been declared, by Penglai Jutal to the Vendor. The said conditions precedent cannot be waived. As at the Latest Practicable Date, the conditions (i) and (iii) have been fulfilled.

Completion

The Group shall make the payment of the remaining balance of the Consideration to the SUAEE within five (5) Business Days after the effective date of the Equity Transfer Agreement. SUAEE will issue the transfer certificate upon receipt of the remaining balance of the Consideration. The board of directors of Penglai Jutal will pass the relevant resolution for the transfer of the Target Equity Interest within three (3) Business Days upon receipt of the transfer certificate issued by the SUAEE. Then the filing of registration documents for the change of shareholding with relevant PRC authorities will be taken place within three (3) Business Days from the date of the said board resolution of Penglai Jutal. The Completion will then take place upon the transfer of payment of the Consideration by SUAEE to the Vendor.

As at the Latest Practicable Date, Stand Success directly holds 30% equity interest in Penglai Jutal. Upon Completion, the Company will indirectly hold in aggregate the entire equity interest in Penglai Jutal and hence Penglai Jutal will become an indirect wholly-owned subsidiary of the Company and the financial results of Penglai Jutal shall be consolidated into the Company's consolidated financial statements.

INFORMATION OF THE VENDOR AND PENGLAI JUTAL

Vendor

The Vendor is a company established in the PRC and is principally engaged in, among other things, production of steel products for the use of the operation of offshore constructions.

Penglai Jutal

Penglai Jutal is a company established in the PRC in 2001 with limited liability which is owned as to 30% and 70% by Stand Success and the Vendor respectively, hence Penglai Jutal is an associate company of the Company as at the Latest Practicable Date. The principal business activities of Penglai Jutal are the provision of offshore oil and natural gas exploration and production operation, quayside machinery, petrochemical facilities and steel formation design, fabrication, installation and repair, marine logistics services as well as quayside and warehouse services.

Financial information on Penglai Jutal

Set out below is the audited financial information of Penglai Jutal prepared under the generally Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2016 and the six months ended 30 June 2017:

	For the year ended 31 December		**For six months ended 30 June**
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Net profit before tax	79,328	116,894	143,630
Net profit after tax	63,835	99,580	107,224

The net asset value of Penglai Jutal was approximately RMB1,034,280,000 (equivalent to approximately HK$1,231,436,000) and RMB1,141,504,000 (equivalent to approximately HK$1,358,390,000) as at 31 December 2016 and 30 June 2017, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (a) the provision of technical support services in offshore oil and gas industry; (b) fabrication of oil and gas facilities and oil and natural gas processing skid equipment; and (c) the provision of technical support services to the shipbuilding industry.

Although Penglai Jutal's business and the Company's principal business are in the same industry, Penglai Jutal especially has a good performance and customer base in natural gas processing modules, natural gas chemical plant modules and construction of large-scale mining and offshore oil and gas platform. The Acquisition will enable the Company to carry on the said business which Penglai Jutal is skilled at, particularly natural gas processing modules, natural gas chemical plant modules, and provide a fuller spectrum of services to its customers.

The Directors believe that the Acquisition is in the best interests of both the Group and the Shareholders as a whole as (a) there has been recorded a growing trend in the net profit of Penglai Jutal from approximately RMB63.8 million for the year ended 31 December 2015 to approximately RMB99.6 million for the year ended 31 December 2016; and (b) it will improve the management and administration efficiency in the business operations of Penglai Jutal. Therefore, through acquiring the Target Equity Interest, the Group can capture the net profit of Penglai Jutal to the full extent.

Based on the above, the Board considers that the Acquisition is in the interest of the Company and the Shareholders as a whole and that the terms of the Equity Transfer Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 26 December 2017 at the meeting room of the Company on 10th Floor, Chiwan Petroleum Building, Shekou, Shenzhen, PRC is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. If you do not intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Equity Transfer Agreement. Accordingly, none of the Shareholders will be required to abstain from voting at the EGM for approving the Acquisition.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM in accordance with the articles of association of the Company. The results of the poll shall be deemed to be the resolution of the general meeting in which the poll was demanded or required and the poll results will be published on the websites of the Stock Exchange and the Company after the EGM.

RECOMMENDATION

Having considered the above-mentioned benefits to the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole and they are fair and reasonable to the Company.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

As the Equity Transfer Agreement will only become effective upon the occurrence of certain events that set out in the Equity Transfer Agreement, the Acquisition may or may not take place. Shareholders and potential investors of the Company are reminded to exercise extreme caution when dealing in the securities of the Company.

Yours faithfully,
By order of the Board
Jutal Offshore Oil Services Limited
Liu Lei
Chairman

1. THREE-YEAR AUDITED FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three financial years ended 31 December 2014 (pages 32 to 85) (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427441.pdf), 31 December 2015 (pages 43 to 90) (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN20160429375.pdf), and 31 December 2016 (pages 38 to 100) (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0418/LTN201704181155.pdf), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at http://www.jutal.com/and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following liabilities:

(a) Borrowings

As at the close of business on 31 October 2017 (being the latest practicable date for the purpose of this indebtedness statement), the Enlarged Group had outstanding borrowings of approximately RMB543 million, comprising unsecured bank borrowings of approximately RMB187 million, guaranteed bank borrowings of approximately RMB351 million, and secured and guaranteed bank borrowings of approximately RMB5 million.

(b) Pledge of assets

As at the close of business on 31 October 2017, the Enlarged Group's property, plant and equipment, and pledged bank deposits with carrying amounts of approximately RMB11 million and RMB37 million respectively were pledged to secure certain banking and credit facilities of the Enlarged Group.

Save as above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding indebtedness at the close of business on 31 October 2017 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL EFFECTS OF THE ACQUISITION

Immediately after the Completion, Penglai Jutal will become a wholly-owned subsidiary of the Company. The financial results of Penglai Jutal will be consolidated into the accounts of the Company. Based on the unaudited pro forma financial information of the Group upon the Completion set out in Appendix IV to this circular, the financial effects of the Acquisition are summarised below:

Effect on assets and liabilities

Upon Completion, it is expected that the total assets and the total liabilities of the Group would increase. The total assets of the Group will increase from approximately RMB2,461 million to approximately RMB4,254 million and the total liabilities of the Group will decrease from approximately RMB405 million to approximately RMB2,192 million. The percentage of non-current assets of the Group will decrease from approximately 44% to approximately 41% while the current assets of the Group will increase from approximately 56% to approximately 59%. The percentage of non-current liabilities of the Group will increase from approximately 14% to approximately 29% while the current liabilities of the Group will decrease from approximately 86% to approximately 71%. It is expected that the balance of the Consideration payable by the Company under the Equity Transfer Agreement will be settled by internal resources and external borrowing and it is expected that there will not be any material effect on the total liabilities.

Effect on earnings

The Directors are of the view that the Acquisition will be likely to have a positive impact on the future earnings of the Group in the long run.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effect of the Acquisition and the financial resources available to the Enlarged Group including the available credit facilities and the internally generated funds, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group is principally engaged in (i) the provision of technical support services in offshore oil and gas industry; (ii) fabrication of oil and gas facilities and oil and natural gas processing skid equipment; and (iii) the provision of technical support services to the shipbuilding industry.

Looking into the year ahead, the industry will still face a difficult environment and the existing business operation of the Group will still encounter huge challenges. The industrial trend under the dynamic global environment and the shift in market opportunities under the cyclical fluctuation of the industry are the uncertainty risks and opportunities the Group will possibly face in the future.

There is still a necessity for the Group to take an active step in developing our business. The Group will impose stringent control on capital expenditure, adopt measures to reduce fees and costs and strengthen management. The Group will also allocate more resources to new business and new customers and strengthen its performance in commercial and marketing initiatives. The Group has been watching closely to the potential markets and opportunities for new projects around the world and dispatch dedicated staff to follow up. For existing clients, the Group will beef up our sales efforts and expand its services both in terms of product mix and geographical spread. At the same time, the Group will leverage our existing design and manufacturing qualification and capability to actively develop manufacturing businesses in various markets, including wind power market, environmental protection market and refinery market, to bring in revenue through these new business opportunities.

On 15 March 2017, the Group entered into a subscription agreement with two independent subscribers, Sanju HK and Golden Talent (collectively, the "**Subscribers**"), pursuant to which the Subscribers will conditionally subscribe for an aggregate of 803,562,111 subscription shares of the Company at a subscription price of HK$1.2 per subscription share.

To the best knowledge of the Directors, the Directors are optimistic about the future development of the Group. The Directors expect that the Group would have sufficient funds for the existing funding requirement of the Group. The Group will also continue proactively and prudently to seek new investment opportunities under the right circumstances, with a view to increase value for the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2014, 2015 and 2016. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016, respectively, in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

The Group is principally engaged in (i) the provision of technical support services in offshore oil and gas industry; (ii) fabrication of oil and gas facilities and oil and natural gas processing skid equipment; and (iii) the provision of technical support services to the shipbuilding industry.

A. For the year ended 31 December 2016

In year 2016, the Group recorded turnover of approximately RMB721,614,000, representing an increase of 9.57% or RMB63,048,000 as compared with year 2015.

Segment Information

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

Turnover from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials decreased by 20.51% or RMB23,207,000 as compared with year 2015. The provision of technical support and related services for oil and gas industry and sales of related equipment and materials and the provision of technical supporting services for shipbuilding industry both showed a decrease as compared to last year mainly due to the substantial drop in investment activities within the industry as a result of the fall in investment in global oil and gas industry and the depressed shipbuilding market, which in turn led to the decrease in volume of work and service prices of the Group in these two businesses.

(ii) Fabrication of oil and gas facilities and oil and gas processing skid equipment

Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased by 17.98% or RMB90,120,000 as compared with year 2015. The fabrication business of oil and gas facilities and oil and gas processing skid equipment recorded growth in turnover, mainly due to the completion of major portions of several large-scale projects taken up in the second half of year 2015.

(iii) Provision of technical support services for shipbuilding industry

Turnover from the provision of technical support services for shipbuilding industry decreased by 27.81% or RMB12,309,000 as compared with year 2015. The provision of technical support and related services for oil and gas industry and sales of related equipment and materials and the provision of technical supporting services for shipbuilding industry both showed a decrease as compared to last year mainly due to the substantial drop in investment activities within the industry as a result of the fall in investment in global oil and gas industry and the depressed shipbuilding market, which in turn led to the decrease in volume of work and service prices of the Group in these two businesses.

Liquidity and Financial Resources

As at 31 December 2016, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB122,280,000 (2015: RMB74,641,000). During the year, net cash inflow from operating activities amounted to approximately RMB2,195,000, net cash outflow from investing activities amounted to RMB34,452,000, and net cash inflow from financing activities amounted to approximately RMB75,349,000.

At 31 December 2016, the Group had approximately RMB217,459,000 (2015: RMB417,856,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 31 December 2016, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB77,508,000 (2015: RMB44,118,000).

Capital Structure

As at 31 December 2016, the share capital of the Company comprises 800,354,278 ordinary shares (2015: 800,354,278 ordinary shares). As at 31 December 2016, net assets of the Group amounted to approximately RMB1,180,542,000 (2015: RMB1,157,495,000), comprising non-current assets of approximately RMB1,072,764,000 (2015: RMB1,040,863,000), net current assets of approximately RMB167,829,000 (2015: RMB168,834,000) and non-current liabilities of approximately RMB60,051,000 (2015: RMB52,202,000).

Material Acquisitions, Disposals, Significant Investments and Future Plans of Material Investment

No material acquisitions, disposals, significant investments and future plans of material investment was made during the year ended 31 December 2016.

Foreign Exchange Risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Euro and US$. During the years ended 31 December 2016 and 2015, the Group has entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

Assets Pledged by the Group

As at 31 December 2016, approximately RMB43,527,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB10,000,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

At 31 December 2016, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB11,596,000 (2015: Nil).

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

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 bank borrowing and the gearing ratios of the Group as at 31 December 2016 were RMB213,628,000 and 18.10%, respectively.

Employees and Remuneration Policy

As at 31 December 2016, the Group had total 2,174 employees (2015: 2,969), of which 474 (2015: 596) were management and technical staff, and 1,700 (2015: 2,373) were technicians.

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

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

In order to encourage employees, directors, substantial shareholders and any other persons involved or concerned in the business of the Group in specific classes to continue to contribute to the long-term success of the business of the Group, the Board proposed the adoption of a new share option scheme ("**Share Option Scheme**") by way of the Company's circular dated 29 April 2016. In the annual general meeting of the Company convened on 8 June 2016, resolution in relation to the adoption of the Share Option Scheme was passed and as a result the Share Option Scheme has been adopted.

On 14 October 2016, an aggregate of 13,000,000 options to subscribe for ordinary shares in the share capital of the Company were granted to directors of the Company. Each of such grants was approved by the independent non-executive Directors.

For details in relation to the Share Option Scheme and the grant of the options, please refer to the relevant announcements and circulars of the Company.

B. For the year ended 31 December 2015

In year 2015, the Group recorded turnover of approximately RMB658,566,000, representing a decrease of 30.74% or RMB292,315,000 as compared with year 2014.

Segment Information

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

Turnover from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials decreased by 7.80% or RMB9,570,000 as compared with year 2014.

(ii) Fabrication of oil and gas facilities and oil and gas processing skid equipment

Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business decreased by 34.86% or RMB268,201,000 as compared with year 2014.

(iii) Provision of technical support services for shipbuilding industry

Turnover from the provision of technical support services for shipbuilding industry decreased by 24.74% or RMB14,544,000 as compared with year 2014.

The decrease in turnover was mainly due to decline of workload in the reporting year because several important potential projects in tracking were suspended or cancelled as a consequence of substantial decrease of investment in oil and natural gas industry over falling oil prices, as well as an influence of the global shipbuilding market downturns.

Liquidity and Financial Resources

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

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

Capital Structure

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

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

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

Material Acquisitions, Disposals, Significant Investments and Future Plans of Material Investment

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

No other material acquisitions, disposals, significant investments and future plans of material investment was made during the year ended 31 December 2015.

Foreign Exchange Risk

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

Assets Pledged by the Group

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

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

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 bank borrowing and the gearing ratios of the Group as at 31 December 2015 were RMB131,476,000 and 11.36%, respectively.

Employees and Remuneration Policy

As at 31 December 2015, the Group had total 2,969 employees (2014: 3,353), of which 596 (2014: 664) were management and technical staff, and 2,373 (2014: 2,689) were technicians.

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

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

C. For the year ended 31 December 2014

In year 2014, the Group recorded turnover of approximately RMB950,881,000, representing an increase of 6.86% or RMB61,054,000 as compared with year 2013.

Segment Information

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

Revenue from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials increased by 8.30% or RMB9,406,000 as compared with year 2013.

(ii) Fabrication of oil and gas facilities and oil and gas processing skid equipment

Revenue from the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased by 4.97% or RMB36,416,000 as compared with year 2013.

(iii) Provision of technical support services for shipbuilding industry

Revenue from the provision of technical support services for shipbuilding industry increased by 34.96% or RMB15,232,000 as compared with year 2013.

Liquidity and Financial Resources

As at 31 December 2014, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB108,510,000 (2013: RMB100,265,000). During the year, net cash inflow from operating activities amounted to approximately RMB56,076,000, net cash outflow from investing activities amounted to RMB119,044,000, and net cash inflow from financing activities amounted to RMB71,204,000.

As at 31 December 2014, the Group had banking facilities amounted to approximately RMB517,000,000 (2013: RMB444,685,000), of which approximately RMB286,427,000 was utilized and approximately RMB230,573,000 was unutilized.

Out of the unutilized banking facilities, approximately RMB155,000,000 was available for raising bank loans. As at 31 December 2014, bank borrowings of the Group amounted to approximately RMB230,240,000.

Capital Structure

During the year, the Company allotted and issued 40,000,000 subscription shares to certain independent investors at the subscription price of HK$1.85 per share. 28,255,000 ordinary shares were issued upon the exercise of share options under the Company's share option scheme. In addition, 20,000,000 warrants were issued to certain independent investors at the warrant issue price of HK$0.01 per warrant pursuant to the warrants subscription agreement.

As at 31 December 2014, the share capital of the Company comprises 800,154,278 ordinary shares (2013: 731,899,278 ordinary shares).

As at 31 December 2014, net assets of the Group amounted to approximately RMB1,126,369,000 (2013: RMB1,018,554,000), comprising non-current assets of approximately RMB1,009,436,000 (2013: RMB901,197,000), net current assets of approximately RMB154,583,000 (2013: RMB147,785,000) and non-current liabilities of approximately RMB37,650,000 (2013: RMB30,428,000).

Material Acquisitions, Disposals, Significant Investments and Future Plans of Material Investment

During the year, the construction of the third phase of the Zhuhai site which mainly includes the plant and ancillary equipment and facilities was completed and put into operation. The Group has commenced the construction of the fourth phase of the Zhuhai site which mainly includes the assembly site and ancillary equipment and facilities. It was expected that the construction will be completed and put into operation in year 2015. The total investment was estimated to be approximately RMB50 million. In addition, the Group had acquired a parcel of leasehold land in Zhuhai, the area of which was approximately 78,000 square meters. This land will be used to expand the Zhuhai site.

No other material acquisitions, disposals, significant investments and future plans of material investment was made during the year ended 31 December 2014.

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 priced in currencies other than RMB. Fluctuation of RMB against other currencies like US$ and HK$ would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which are priced in other currencies like US$ and HK$, 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 31 December 2014, in order to obtain better financing conditions, the Group has pledged a parcel of land and a portion of structures and plants located in Zhuhai with a carrying amount of approximately RMB214,010,000 in favor of a commercial bank in China. Approximately RMB31,498,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB19,950,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Capital Management

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

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

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

The bank borrowing and the gearing ratios of the Group as at 31 December 2014 were RMB230,240,000 and 20.44%, respectively.

Employees and Remuneration Policy

As at 31 December 2014, the Group had total 3,353 employees (2013: 3,299), of which 664 (2013: 629) were management and technical staff, and 2,689 (2013: 2,670) were technicians.

The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding laws and regulations.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF PENGLAI JUTAL

Set forth below is the management discussion and analysis of Penglai Jutal for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017. The following financial information is based on the accountant's report of Penglai Jutal which is set out in Appendix III to this circular.

Business Review

Penglai Jutal focuses on international offshore oil and gas equipment and engineering service sector. Penglai Jutal is principally engaged in designing, purchasing, manufacturing and debugging products such as onshore LNG modules, FPSO/FLNG related modules, offshore platform topside modules, conduit racks, offshore wind power, single mooring system and cranes as well as in the area of vessel transportation. It has earned high international reputation in respect of building large-scale conduit racks, large-scale onshore modules, crane and single mooring system. In addition to domestic sales in the PRC, the products of Penglai Jutal are exported to overseas countries, such as Australia, France, the United States, Norway and Japan. As the management of Penglai Jutal takes into consideration all resources of Penglai Jutal as a whole when allocating resources and assessing performance, no separate analyses of the reportable segment profit before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017.

Penglai Jutal is located in Penglai City Economic-Technological Development Area in Yantai, Shandong province. Its factories are located in Bohai Bay and have a total area of approximately 630,000 m^2. Penglai Jutal has built a number of factories and workshops with a total gross floor area of approximately 140,000 m^2 since commencing business operations, including, but not limited to, module workshop, pretreatment production workshop, pipe workshop, electrical instrument workshop, sand blasting workshop and product yard.

FINANCIAL REVIEW

Revenue

The revenue of Penglai Jutal is mainly generated from construction contracts in relation to the sales and construction businesses of (i) offshore oil and natural gas exploration and production facilities; (ii) quayside machineries and (iii) petrochemical facilities.

For the year ended 31 December 2014, Penglai Jutal recorded revenue of approximately RMB707,959,000.

For the year ended 31 December 2015, Penglai Jutal recorded revenue of approximately RMB1,469,770,000, representing a growth of approximately 107.61% as compared to last year. Such growth is mainly attributable to the strenuous efforts of Penglai Jutal in developing international market and sufficient workload as certain projects undertaken by Penglai Jutal entered into the comprehensive production stage.

For the year ended 31 December 2016, Penglai Jutal recorded revenue of approximately RMB1,599,740,000, increased by approximately 8.84% as compared to the same period in 2015. The increase in revenue is mainly attributable to the increase in production volume as certain projects undertaken by Penglai Jutal were carried out on large scale and went into full gear during that year.

For the six months ended 30 June 2017, Penglai Jutal recorded revenue of approximately RMB1,281,215,000, increased by approximately 52.68% as compared to revenue of approximately RMB839,167,000 in the same period in 2016. The increase in revenue is mainly attributable to the in-depth research conducted by Penglai Jutal on the production and construction process, the effective measures to enhance working efficiency and the positive step of entering into the field of chemical engineering modules production. At the same time, the request made by a customer to complete and deliver products in advance led to rapid escalation in workload and increase in production value during the six months ended 30 June 2017.

Other Income

Other income mainly includes bank interest income, foreign exchange gains and gains from changes in fair value of derivative financial instruments.

For the year ended 31 December 2014, other income of Penglai Jutal was approximately RMB19,357,000.

For the year ended 31 December 2015, other income of Penglai Jutal was approximately RMB28,347,000, increased by 46.44% as compared to the same period in 2014, mainly due to the increase in foreign exchange gains and gains from changes in fair value of derivative financial instruments.

For the year ended 31 December 2016, other income of Penglai Jutal was approximately RMB28,080,000, which was nearly the same as compared to the same period in 2015.

For the six months ended 30 June 2017, other income of Penglai Jutal was approximately RMB22,285,000, increased by approximately 88.55% as compared to the same period in 2016, mainly due to the increase in bank interest income and gains from changes in fair value of derivative financial instruments.

Administrative Expense

Administrative expense mainly include the cost incurred by the administrative department, such as utilities charges, administrative staff cost, travelling and entertainment expenses, general office expenses, legal and professional expenses, depreciation charges, amortisation expenses and other taxation.

For the year ended 31 December 2014, the administrative expense of Penglai Jutal was approximately RMB57,166,000.

For the year ended 31 December 2015, the administrative expense of Penglai Jutal was approximately RMB77,122,000, increased by approximately 34.91% as compared to the same period in 2014. Such increase was mainly due to (i) the increase in business tax expenses by approximately 52.72% from approximately RMB13,650,000 in 2014 to approximately RMB20,847,000 in 2015; (ii) the increase in administrative staff cost and benefit by approximately 22.27% from approximately RMB25,042,000 in 2014 to approximately RMB30,619,000 in 2015 due to the employment of additional staff and rise in salary; (iii) the increase in depreciation and amortisation charges by approximately 91.28% from approximately RMB4,305,000 in 2014 to approximately RMB8,235,000 in 2015.

For the year ended 31 December 2016, the administrative expense of Penglai Jutal was approximately RMB68,563,000, decreased by approximately 11.10% as compared to the same period in 2015. Such decrease is mainly due to (i) the decrease in depreciation and amortisation charges by approximately 17.15% from approximately RMB8,235,000 in 2015 to approximately RMB6,823,000 in 2016; (ii) the decrease in business tax expenses by approximately 15.38% from approximately RMB20,847,000 in 2015 to approximately RMB17,641,000 in 2016; (iii) the decrease in administrative staff cost and benefit by approximately 7.4% from approximately RMB30,619,000 in 2015 to approximately RMB28,345,000 in 2016.

For the six months ended 30 June 2017, the administrative expense of Penglai Jutal was approximately RMB33,616,000, increased by approximately 21.86% as compared to the same period in 2016. Such increase is mainly due to the increase in business tax expenses by approximately 103.13% from approximately RMB5,433,000 in 2016 to approximately RMB11,036,000 in 2017.

Finance Costs

Finance costs for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017 were approximately RMB18,325,000, RMB12,482,000, RMB9,151,000 and RMB6,568,000 respectively, which mainly included interest expenses on bank borrowings and financing charges related to borrowings.

Net Profit

For the years ended 31 December 2014 and 31 December 2015, Penglai Jutal recorded net profit after tax of approximately RMB28,581,000 and RMB63,835,000 respectively, which was mainly due to the enormous efforts made by Penglai Jutal in developing domestic and international markets and the commencement of comprehensive production of certain projects in 2015, which resulted in an increase in income of that year by 107.61% as compared to the last corresponding period.

For the year ended 31 December 2016, Penglai Jutal recorded net profit after tax of approximately RMB99,580,000, increased by 56% as compared with 2015, which was mainly attributable to full production workload and the increase in gross profit by 32.55% or RMB47,048,000 from RMB144,562,000 in 2015 to RMB191,610,000 in 2016.

For the six months ended 30 June 2017, Penglai Jutal recorded net profit after tax of approximately RMB107,224,000, increased by 179.42% as compared to the same period in 2016, which was mainly due to (i) the request made by a customer of Penglai Jutal to complete and deliver products in advance which led to tight production schedule in the first half of 2017 and the rapid increase in workload during the half year; (ii) the production peak period of a chemical engineering module project, which Penglai Jutal newly entered into in the first half of 2017 and contributed income of RMB179,811,000 while no income was recorded in the same period in 2016.

Liquidity And Financial Resources

As at 31 December 2014, the working funds (cash on hand and bank deposits) of Penglai Jutal amounted to approximately RMB179,267,000. During the period, net cash inflow from operating activities amounted to approximately RMB150,422,000, net cash outflow from investing activities amounted to approximately RMB21,000,000, and net cash outflow from financing activities amounted to approximately RMB65,100,000.

As at 31 December 2015, the working funds (cash on hand and bank deposits) of Penglai Jutal amounted to approximately RMB441,165,000. During the period, net cash inflow from operating activities amounted to approximately RMB537,155,000, net cash outflow from investing activities amounted to approximately RMB128,753,000, and net cash outflow from financing activities amounted to approximately RMB146,504,000.

As at 31 December 2016, the working funds (cash on hand and bank deposits) of Penglai Jutal amounted to approximately RMB844,857,000. During the period, net cash inflow from operating activities amounted to approximately RMB315,265,000, net cash outflow from investing activities amounted to approximately RMB52,254,000, and net cash inflow from financing activities amounted to approximately RMB140,681,000.

As at 30 June 2017, the working funds (cash on hand and bank deposits) of Penglai Jutal amounted to approximately RMB1,413,528,000. During the period, net cash inflow from operating activities amounted to approximately RMB505,902,000, net cash outflow from investing activities amounted to approximately RMB6,631,000, and net cash inflow from financing activities amounted to approximately RMB69,400,000.

As at 31 December 2014, Penglai Jutal had approximately RMB1,205,048,000 of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 31 December 2015, Penglai Jutal had approximately RMB1,202,259,000 of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 31 December 2016, Penglai Jutal had approximately RMB1,319,061,000 of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 30 June 2017, Penglai Jutal had approximately RMB1,449,542,000 of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 31 December 2014, Penglai Jutal had obtained bank guarantees under performance bonds for construction contracts from bank for its customers of approximately RMB239,969,000.

As at 31 December 2015, Penglai Jutal had obtained bank guarantees under performance bonds for construction contracts from bank for its customers of approximately RMB516,455,000.

As at 31 December 2016, Penglai Jutal had obtained bank guarantees under performance bonds for construction contracts from bank for its customers of approximately RMB470,106,000.

As at 30 June 2017, Penglai Jutal had obtained bank guarantees under performance bonds for construction contracts from bank for its customers of approximately RMB289,683,000.

Capital Structure

As at 31 December 2014, the paid up capital of Penglai Jutal was approximately RMB337,818,000. As at 31 December 2014, net assets of Penglai Jutal amounted to approximately RMB870,865,000, comprising non-current assets of approximately RMB865,985,000, net current assets of approximately RMB42,370,000 and non-current liabilities of approximately RMB37,490,000.

As at 31 December 2015, the paid up capital of Penglai Jutal was approximately RMB337,818,000. As at 31 December 2015, net assets of Penglai Jutal amounted to approximately RMB934,700,000, comprising non-current assets of approximately RMB934,938,000, net current assets of approximately RMB1,422,000 and non-current liabilities of approximately RMB1,660,000.

As at 31 December 2016, the paid up capital of Penglai Jutal was approximately RMB337,818,000. As at 31 December 2016, net assets of Penglai Jutal amounted to approximately RMB1,034,280,000, comprising non-current assets of approximately RMB892,550,000, net current assets of approximately RMB402,760,000 and non-current liabilities of approximately RMB261,030,000.

As at 30 June 2017, the paid up capital of Penglai Jutal was approximately RMB337,818,000. As at 30 June 2017, net assets of Penglai Jutal amounted to approximately RMB1,141,504,000, comprising non-current assets of approximately RMB862,078,000, net current assets of approximately RMB411,441,000 and non-current liabilities of approximately RMB132,015,000.

Significant Investment, Material Acquisition And Disposal

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017, Penglai Jutal did not have any significant investment, material acquisition and disposal.

Future Plans For Significant Investment And Capital Assets

As at 30 June 2017, Penglai Jutal did not have any future plans relating to significant investments and capital assets.

Foreign Exchange Risk

Penglai Jutal's business transactions, assets and liabilities are principally denominated in RMB and US$, Euro. As at 31 December 2014, 31 December 2015 and 31 December 2016 and as at 30 June 2017, Penglai Jutal has entered into foreign exchange forward contracts to hedge the foreign currency risk arising from its contract income and trade receivables denominated in US$. The management of Penglai Jutal will continue to consider appropriate hedging measures.

Assets Pledged

As at 31 December 2014, approximately RMB7,715,000 of bank deposits has been pledged by Penglai Jutal as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

As at 31 December 2015, approximately RMB16,658,000 of bank deposits has been pledged by Penglai Jutal as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

As at 31 December 2016, approximately RMB4,326,000 of bank deposits has been pledged by Penglai Jutal as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

As at 30 June 2017, approximately RMB3,051,000 of bank deposits has been pledged by Penglai Jutal as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

At 31 December 2014, the carrying amount of machine and equipment pledged as security for Penglai Jutal's bank borrowings amounted to approximately RMB72,799,000. For the years ended 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017, there were no asset-backed borrowings.

LITIGATION AND CONTINGENT LIABILITIES

As at 31 December 2014, 31 December 2015 and 31 December 2016 and as at 30 June 2017, Penglai Jutal did not have significant litigation and contingent liabilities.

CAPITAL MANAGEMENT

Penglai Jutal 's main objective when managing capital is to safeguard its ability to continue as a going concern and to maximise the return to shareholders through the optimisation of the gearing ratio.

Penglai Jutal 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, Penglai Jutal may raise new debts, increase paid up capital, reduce paid up capital, repay existing debts or sell assets to reduce debts.

Penglai Jutal monitors its capital using a gearing ratio, which is total bank borrowings divided by total equity. Penglai Jutal 's policy is to keep the gearing ratio at a reasonable level.

As at 31 December 2014, 31 December 2015 and 31 December 2016 and as at 30 June 2017, the gearing ratios of Penglai Jutal were as follows:

	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total Bank borrowings	269,223	122,719	263,400	332,800
Total equity	870,865	934,700	1,034,280	1,141,504
Gearing ratio	30.91%	13.13%	25.47%	29.15%

The changes in gearing ratio resulted primarily from changes in total bank borrowings. Penglai Jutal adjusts the amount of bank loans from time to time in line with the current environment to ensure that the working capital needs of Penglai Jutal are met.

INFORMATION ABOUT EMPLOYEES

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, Penglai Jutal had 1,836, 1,947, 1,950 and 1,825 full time employees in the PRC, respectively.

Penglai Jutal encourages staff to provide long-term service and strives to create a fair and open competition environment. It is committed to develop talents with management experience, professional skills and dedication. Penglai Jutal determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. Penglai Jutal contributes to social security funds, including pension fund, medical, unemployment and industrial accident insurances and housing fund for employees in the PRC, in accordance with the corresponding laws and regulations.

Penglai Jutal puts emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees. Penglai Jutal had not adopted any share option scheme.

OUTLOOK

The principal businesses of Penglai Jutal are the design, fabrication, installation and repair of offshore oil and natural gas production and exploration facilities, quayside machinery, oil chemical engineering equipment and steel formation.

Currently, the hardship of oil and gas industry remains. Although the price of oil has increased, it still hovers at low level of around US$50. More time is needed for the recovery of oil and gas market. Penglai Jutal actively faces the current market hardship and strengthens its efforts in market development. While maintaining a strong foothold in the traditional oil and gas products, it holds a positive view on the potential of chemical engineering module market at the downstream of oil and gas and starts entering the market of offshore wind power ancillary products. After the completion of acquisition, Penglai Jutal will become part of the Group. Penglai Jutal will leverage on the Group's listing status, market knowledge, experience and resources so as to achieve synergy in operational efficiency and brand promotion.

The following is the text of a report set out on pages III-1 to III-52, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JUTAL OFFSHORE OIL SERVICES LIMITED

Introduction

We report on the historical financial information of Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("**Penglai Jutal**") set out on pages III-4 to III-52, which comprises the statements of financial position of the Penglai Jutal as at 31 December 2014, 2015 and 2016 and 30 June 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-52 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Jutal Offshore Oil Services Limited (the "**Company**") dated 8 December 2017 (the "**Investment Circular**") in connection with the proposed acquisition of the 70% equity interest in Penglai Jutal.

Directors' responsibility for the Historical Financial Information

The directors of Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Penglai Jutal's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of Penglai Jutal's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Penglai Jutal which comprises statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Penglai Jutal are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statement as defined on page III-4 have been made.

Dividends

We refer to note 15 to the Historical Financial Information which states that no dividends have been paid by Penglai Jutal in respect of the Relevant Period.

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF PENGLAI JUTAL

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Penglai Jutal for the Relevant Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The statutory financial statements of Penglai Jutal for the years ended 31 December 2014, 2015 and 2016 was prepared in accordance with China Accounting Standards for Business Enterprises and were audited by Da Hua Certified Public Accountants in accordance with China Standards on Auditing issued by the Chinese Institute of Certified Public Accountants.

The Historical Financial Information is presented in Renminbi ("**RMB**") which is also Penglai Jutal's functional currency and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December			For the six months ended 30 June	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Turnover	*8*	707,959	1,469,770	1,599,740	839,167	1,281,215
Cost of sales and services		(601,226)	(1,325,208)	(1,408,130)	(768,468)	(1,073,466)
Gross profit		106,733	144,562	191,610	70,699	207,749
Other income	*9*	19,357	28,347	28,080	11,819	22,285
Administrative expenses		(57,166)	(77,122)	(68,563)	(27,586)	(33,616)
Other operating expenses		(20,274)	(3,977)	(25,082)	(6,101)	(46,220)
Profit from operations		48,650	91,810	126,045	48,831	150,198
Finance costs	*11*	(18,325)	(12,482)	(9,151)	(4,050)	(6,568)
Profit before tax		30,325	79,328	116,894	44,781	143,630
Income tax expense	*12*	(1,744)	(15,493)	(17,314)	(6,407)	(36,406)
Profit and total comprehensive income for the year/period	*13*	28,581	63,835	99,580	38,374	107,224
Attributable to:						
Owners of Penglai Jutal		28,581	63,835	99,580	38,374	107,224

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	As at 30 June 2017 RMB'000
Non-current assets					
Fixed assets	16	850,955	921,803	883,501	852,459
Intangible assets	17	243	189	157	147
Deferred tax assets	29	14,787	12,946	8,892	9,472
		865,985	934,938	892,550	862,078
Current assets					
Inventories	18	64,791	102,431	73,913	41,159
Trade and bills receivables	19	128,490	152,301	453,399	46,722
Gross amount due from customers for contract work	20	106,435	115,325	28,619	46,537
Prepayments, deposits and other receivables	21	89,530	95,250	79,998	28,771
Derivative financial instruments	22	–	–	–	6,225
Current tax assets		4,304	–	–	–
Pledged bank deposits	23	7,715	16,658	4,326	3,051
Bank and cash balances	23	172,902	424,507	840,531	1,410,477
		574,167	906,472	1,480,786	1,582,942
Current liabilities					
Trade and bills payables	24	137,204	370,222	306,996	817,724
Gross amount due to customers for contract work	20	108,383	331,905	629,121	42,420
Accruals and other payables	25	46,224	61,363	108,181	43,474
Derivative financial instruments	22	–	6,234	10,653	972
Warranty provisions	26	5,763	10,854	16,009	36,211
Bank borrowings	27	234,223	122,719	3,200	201,200
Current tax liabilities		–	1,753	3,866	29,500
		531,797	905,050	1,078,026	1,171,501
Net current assets		42,370	1,422	402,760	411,441

	Note	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
		RMB'000	RMB'000	RMB'000	RMB'000
Total assets less current liabilities		908,355	936,360	1,295,310	1,273,519
Non-current liabilities					
Bank borrowings	*27*	35,000	–	260,200	131,600
Deferred revenue	*30*	2,490	1,660	830	415
		37,490	1,660	261,030	132,015
NET ASSETS		870,865	934,700	1,034,280	1,141,504
Capital and reserves					
Paid-up capital	*31*	337,818	337,818	337,818	337,818
Reserves	*32*	533,047	596,882	696,462	803,686
TOTAL EQUITY		870,865	934,700	1,034,280	1,141,504

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	**Capital reserves** *RMB'000* *(note 32)*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2014	337,818	19,742	484,724	842,284
Total comprehensive income for the year	–	–	28,581	28,581
At 31 December 2014 and 1 January 2015	337,818	19,742	513,305	870,865
Total comprehensive income for the year	–	–	63,835	63,835
At 31 December 2015 and 1 January 2016	337,818	19,742	577,140	934,700
Total comprehensive income for the year	–	–	99,580	99,580
At 31 December 2016 and 1 January 2017	337,818	19,742	676,720	1,034,280
Total comprehensive income for the period	–	–	107,224	107,224
At 30 June 2017	337,818	19,742	783,944	1,141,504
At 1 January 2016	337,818	19,742	577,140	934,700
Total comprehensive income for the period (unaudited)	–	–	38,374	38,374
At 30 June 2016 (unaudited)	337,818	19,742	615,514	973,074

STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	30,325	79,328	116,894	44,781	143,630
Adjustments for:					
Finance costs	18,325	12,482	9,151	4,050	6,568
Interest income	(870)	(2,888)	(4,316)	(1,064)	(7,916)
Depreciation	68,813	76,741	84,498	42,893	40,943
Amortisation of intangible assets	54	54	32	19	10
Net loss on disposal of fixed assets	699	1,925	364	79	11
Written off of irrecoverable trade receivables	13,231	–	–	–	20,662
Written off of obsolete inventories	4,194	–	–	–	–
Allowance for inventories	1,719	–	4,121	1,749	348
Reversal of allowance for inventories	–	(1,097)	–	–	–
Allowances for trade and other receivables	662	–	4,890	2,819	11,110
Reversal of allowance for other receivables	(7,353)	–	–	–	–
Net (reversal of provisions)/provisions of warranty	(6,184)	5,091	5,179	4,073	20,458
Fair value (gain)/loss on derivative financial instrument	–	(7,192)	15,202	1,432	(11,271)
Government grant income	(4,830)	(3,480)	(1,176)	(475)	(415)
Operating profit before working capital changes	118,785	160,964	234,839	100,356	224,138
(Increase)/decrease in inventories	(22,206)	(36,543)	24,397	(3,864)	32,406
(Increase)/decrease in trade and bills receivables	(73,287)	(23,811)	(301,098)	50,063	386,015
Decrease/(increase) in gross amount due from customers for contract work	28,519	(8,890)	86,706	63,147	(17,918)
(Increase)/decrease in prepayments, deposits and other receivables	(5,643)	(5,720)	10,362	28,074	40,117
Increase/(decrease) in trade and bills payables	35,492	233,018	(63,226)	(176,703)	510,728
Increase/(decrease) in gross amount due to customers for contract work	91,507	223,522	297,216	45,231	(586,701)
(Decrease)/increase in accruals and other payables	(3,228)	15,453	46,758	11,226	(64,809)
Decrease in warranty provisions	(432)	–	(24)	–	(256)
Cash generated from operations	169,507	557,993	335,930	117,530	523,720
Income taxes paid	–	(7,595)	(11,147)	(2,825)	(11,352)
Interest paid	(18,592)	(12,413)	(8,092)	(3,731)	(4,343)
Other finance costs	(493)	(830)	(1,426)	(296)	(2,123)
Net cash generated from operating activities	150,422	537,155	315,265	110,678	505,902

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	870	2,888	4,316	1,064	7,916
Purchase of fixed assets	(50,277)	(149,376)	(46,291)	(19,571)	(9,912)
Proceeds from disposal of fixed assets	19,639	309	158	89	–
Decrease in pledged bank deposits	4,768	1,350	–	–	–
Government grant received	4,000	2,650	346	–	–
Net receipt/(payment) from settlement of derivative financial instruments	–	13,426	(10,783)	(1,722)	(4,635)
Net cash used in investing activities	(21,000)	(128,753)	(52,254)	(20,140)	(6,631)
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank loans raised	296,962	133,649	326,131	131,131	71,000
Repayment of bank loans	(362,062)	(280,153)	(185,450)	(58,850)	(1,600)
Net cash (used in)/generated from financing activities	(65,100)	(146,504)	140,681	72,281	69,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,322	261,898	403,692	162,819	568,671
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	114,945	179,267	441,165	441,165	844,857
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	179,267	441,165	844,857	603,984	1,413,528
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	172,902	424,507	840,531	594,661	1,410,477
Pledged bank deposits with maturity less than three months	6,365	16,658	4,326	9,323	3,051
	179,267	441,165	844,857	603,984	1,413,528

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

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Pledged bank deposits (mature in three months or less)	6,365	16,658	4,326	9,323	3,051
Pledged bank deposits (mature after three months)	1,350	–	–	–	–
	7,715	16,658	4,326	9,323	3,051

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings
	RMB'000
At 1 January 2014	334,323
Cash Flow	
– Inflow from financing activities	296,962
– Outflow from financing activities	(362,062)
At 31 December 2014 and 1 January 2015	269,223
Cash Flow	
– Inflow from financing activities	133,649
– Outflow from financing activities	(280,153)
At 31 December 2015 and 1 January 2016	122,719
Cash Flow	
– Inflow from financing activities	326,131
– Outflow from financing activities	(185,450)
At 31 December 2016 and 1 January 2017	263,400
Cash Flow	
– Inflow from financing activities	71,000
– Outflow from financing activities	(1,600)
At 30 June 2017	332,800
At 1 January 2016	122,719
Cash Flow	
– Inflow from financing activities	131,131
– Outflow from financing activities	(58,850)
At 30 June 2016 (unaudited)	195,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Penglai Jutal was incorporated in the People's Republic of China ("**PRC**") on 18 December 2001 as a foreign investment enterprise with limited liability under the Company Law of the PRC. On 24 November 2004, Penglai Jutal became a sino-foreign investment enterprise. The address of its registered office and its principal place of business is No.5 Haerbin Road, Economic Development Zone, Penglai, Yantai, Shandong, the PRC.

Penglai Jutal is engaged in the sale and construction of (i) offshore oil and natural gas exploration and production facilities; (ii) quayside machineries and (iii) petrochemical facilities business.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. Significant accounting policies adopted by Penglai Jutal are disclosed below.

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

(a) Application of new and revised HKFRSs

New standards, amendments to standards and interpretations that are effective during the Relevant Period have been adopted by Penglai Jutal at their respective effective dates. The adoption of these new standards, amendments to standards and interpretations has no significant impact on Penglai Jutal's results and financial position.

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

Penglai Jutal has not early applied new and revised HKFRSs that have been issued but are not yet effective. These new and revised HKFRSs include the following which may be relevant to Penglai Jutal.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Annual Improvements to HKFRS 2014-2016 Cycle	1 January 2018
HK (IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 Leases	1 January 2019
HK (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

Penglai Jutal is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far Penglai Jutal has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. As Penglai Jutal has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on Penglai Jutal's trade receivables and other financial assets. Penglai Jutal is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

Penglai Jutal is currently assessing the impacts of adopting HKFRS 15 on the financial statements and has identified the following areas that are likely to be affected:

Penglai Jutal currently recognises revenue from construction contracts over time by reference to the stage of completion of the contract activity in accordance with the requirements in HKAS 11 Construction Contracts. Under HKFRS 15 revenue is recognised over time only if specific criteria are met otherwise revenue is recognised at a point in time which may not be until completion.

HKFRS 15 also introduces new requirements on accounting for contract modifications (variations) and variable consideration (such as claims and incentive payments) which may impact the timing of revenue recognition over the contract period.

In addition, certain costs of obtaining construction contracts which are currently expensed may need to be capitalised.

Penglai Jutal is unable to estimate the impact of the new standard on the financial statements until a more detailed analysis is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has 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 the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Penglai Jutal's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Penglai Jutal operates (the "**functional currency**"). The Historical Financial Information are presented in Renminbi ("**RMB**"), which is also Penglai Jutal's functional currency.

(ii) Transactions and balances

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

Non-monetary items that are measured at fair values 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.

(b) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the Historical Financial Information 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 Penglai Jutal 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 – 30 years
Plant and machinery	8 – 15 years
Furniture, fixtures and equipment	5 – 12 years
Motor vehicles	8 years

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

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

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

(c) 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 5 to 16 years.

(d) Operating leases

Penglai Jutal as lessee

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

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

(e) Inventories

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

(f) Construction contracts

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

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

Penglai Jutal uses the "percentage-of-completion method" to determine the appropriate amount of revenue in a given period. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage-of-completion method, measured by reference to surveys of work performed to date.

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

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

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Penglai Jutal becomes a party to the contractual provisions of the instruments.

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

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

(h) Financial assets

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

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

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

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

(ii) Loans and receivables

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

(i) Trade and other receivables

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

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

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Penglai Jutal's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

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

(l) Borrowings

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

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

(m) 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.

(n) Equity instruments

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

(o) Derivative financial instruments

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

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

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the combined instrument is not carried at fair value with changes in fair value recognised in profit or loss.

(p) Revenue recognition

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

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

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

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

(q) Employee benefits

(i) Pension obligations

Penglai Jutal contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by Penglai Jutal 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 Penglai Jutal to the funds.

(ii) Termination benefits

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

(r) 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 Penglai Jutal that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(s) Government grants

A government grant is recognised when there is reasonable assurance that Penglai Jutal 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 Penglai Jutal with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

(t) 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. Penglai Jutal'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 Historical Financial Information 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.

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 Penglai Jutal expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(u) Research and development expenditure

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

(v) 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 statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

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

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

(w) Impairment of financial assets

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

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

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

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

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

(x) Related parties

A related party is a person or entity that is related to Penglai Jutal.

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

(i) has control or joint control over Penglai Jutal;

(ii) has significant influence over Penglai Jutal; or

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

(B) An entity is related to Penglai Jutal if any of the following conditions applies:

(i) The entity and Penglai Jutal 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 Penglai Jutal or an entity related to Penglai Jutal.

(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.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Penglai Jutal has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(z) Events after the reporting period

Events after the reporting period that provide additional information about Penglai Jutal'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 Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information 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 Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Legal titles of certain land and buildings

As stated in notes 16 to the Historical Financial Information, at 31 December 2014, 2015 and 2016 and 30 June 2017, 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 RMB21,919,000, RMB33,522,000, RMB33,642,000 and RMB37,426,000 respectively 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 carrying amounts of approximately RMB29,045,000, RMB27,942,000, RMB45,587,000 and RMB44,722,000 respectively.

In addition, as at 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal is in the process of obtaining the ownership certificates of other building structures with carrying amounts of RMB53,882,000, RMB55,521,000, RMB53,687,000 and RMB52,637,000 respectively. These building structures were erected on certain leasehold lands which Penglai Jutal has obtained the land use right certificates.

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

Key sources of estimation uncertainty

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

(a) Fixed assets and depreciation

Penglai Jutal determines the estimated useful lives, residual values and related depreciation charges for Penglai Jutal's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. Penglai Jutal 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 fixed assets as at 31 December 2014, 2015 and 2016 and 30 June 2017 was approximately RMB850,955,000, RMB921,803,000, RMB883,501,000 and RMB852,459,000 respectively.

(b) *Revenue and profit recognition*

Penglai Jutal estimates the percentage of completion of construction contracts by reference to the percentage of surveys of work performed to date to the estimated total contract revenue of the relevant contracts.

The estimated total contract revenue of the relevant contracts comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments.

Penglai Jutal continues review and estimating throughout the contract life (i) the progress towards completion of respective construction contracts and (ii) the estimated total contract revenue including of the recoverable amount of variation orders where the final amount of variation orders have not been formally agreed with the customers.

During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, all of the Penglai Jutal's turnover recognised represents revenue from construction contracts.

(c) *Allowance for trade and other receivables*

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

As at 31 December 2014, 2015 and 2016 and 30 June 2017, allowances were made for trade and other receivables of approximately RMB2,051,000, nil, RMB4,890,000 and RMB16,000,000 respectively.

(d) *Income taxes*

Penglai Jutal is subject to income taxes in the PRC. 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 years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, approximately RMB1,744,000, RMB15,493,000, RMB17,314,000, RMB6,407,000 and RMB36,406,000 of income tax expense was charged to profit or loss based on the Penglai Jutal's estimated profit for the respective year/period.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

Most of Penglai Jutal's business transactions, assets and liabilities are principally denominated in RMB and United States dollars ("**US$**"). During the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, Penglai Jutal started to enter into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in US$. Penglai Jutal currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

At 31 December 2014, if the US$ had strengthened/weakened 5 per cent against RMB with all other variables held constant, profit after tax for the year ended 31 December 2014 would have been approximately RMB5,003,000 higher/lower respectively, arising mainly as a result of the foreign exchange gain/loss on bank deposits and net position of trade receivables and trade payables denominated in US$.

At 31 December 2015, if the US$ had strengthened/weakened 5 per cent against RMB with all other variables held constant, profit after tax for the year ended 31 December 2015 would have been approximately RMB15,309,000 higher/lower respectively, arising mainly as a result of the foreign exchange gain/loss on bank deposits and net position of trade receivables and trade payables denominated in US$.

At 31 December 2016, if the US$ had strengthened/weakened 5 per cent against RMB with all other variables held constant, profit after tax for the year ended 31 December 2016 would have been approximately RMB33,071,000 higher/lower respectively, arising mainly as a result of the foreign exchange gain/loss on bank deposits and net position of trade receivables and trade payables denominated in US$.

At 30 June 2017, if the US$ had strengthened/weakened 5 per cent against RMB with all other variables held constant, profit after tax for the six months ended 30 June 2017 would have been approximately RMB38,706,000 higher/lower respectively, arising mainly as a result of the foreign exchange gain/loss on bank deposits and net position of trade receivables and trade payables denominated in US$.

(b) Credit risk

Penglai Jutal's credit risk is primarily attributable to its bank and cash balances, pledged bank deposits and trade and other receivables.

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

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

As at 31 December 2014, 2015 and 2016 and 30 June 2017, two, three, one and three customers/counterparties which individually contributed over 10% of Penglai Jutal's trade and other receivables at the end of the respective reporting periods. The aggregate carrying amount of trade and other receivables from these customers/counterparties amounted to RMB84,554,000, RMB148,938,000, RMB388,570,000 and RMB22,324,000 of Penglai Jutal's total trade and other receivables as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively.

(c) Liquidity risk

Penglai Jutal'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 Penglai Jutal's financial liabilities is as follows:

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014					
Trade and bills payables	137,204	–	–	–	137,204
Accruals and other payables	46,224	–	–	–	46,224
Bank borrowings	243,900	36,378	–	–	280,278
At 31 December 2015					
Trade and bills payables	370,222	–	–	–	370,222
Accruals and other payables	61,363	–	–	–	61,363
Bank borrowings	127,012	–	–	–	127,012
At 31 December 2016					
Trade and bills payables	306,996	–	–	–	306,996
Accruals and other payables	61,255	–	–	–	61,255
Bank borrowings	11,549	203,722	62,337	–	277,608
At 30 June 2017					
Trade and bills payables	817,724	–	–	–	817,724
Accruals and other payables	43,474	–	–	–	43,474
Bank borrowings	212,535	72,127	67,875	–	352,237

The following table details Penglai Jutal'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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	339,257	91,844	–	–	431,101
– Outflow	(344,245)	(93,168)	–	–	(437,413)
	(4,988)	(1,324)	–	–	(6,312)
At 31 December 2016					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	179,962	–	–	–	179,962
– Outflow	(190,705)	–	–	–	(190,705)
	(10,743)	–	–	–	(10,743)
At 30 June 2017					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	384,524	–	–	–	384,524
– Outflow	(379,218)	–	–	–	(379,218)
	5,306	–	–	–	5,306

(d) Interest rate risk

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

At 31 December 2014, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been approximately RMB472,000 higher/lower, arising mainly from the net effect of higher/lower interest income from bank deposits and higher/lower of interest expense on bank borrowings.

At 31 December 2015, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been approximately RMB2,785,000 higher/lower, arising mainly from the net effect of higher/lower interest income from bank deposits and higher/lower of interest expense on bank borrowings.

At 31 December 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been approximately RMB2,452,000 higher/lower, arising mainly from the net effect of higher/lower interest income from bank deposits and higher/lower of interest expense on bank borrowings.

At 30 June 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been approximately RMB1,851,000 higher/lower, arising mainly from the net effect of higher/lower interest income from bank deposits and higher/lower of interest expense on bank borrowings.

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

(e) Categories of financial instruments at the end of each reporting period

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	358,906	666,576	1,373,179	1,485,325
Derivative financial instruments – held for trading	–	–	–	6,225
Financial liabilities:				
Financial liabilities at amortised cost	452,651	554,304	631,651	1,193,998
Derivative financial instruments – held for trading	–	6,234	10,653	972

(f) Fair value

The carrying amounts of Penglai Jutal's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

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

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

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

Penglai Jutal'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 the end of each reporting period:

	Fair value measurements using level 2 as at			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
Description	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets				
Derivatives				
Foreign currency forward	–	–	–	6,225
Recurring fair value measurements:				
Financial liabilities				
Derivatives				
Foreign currency forward	–	6,234	10,653	972

(b) Disclosure of valuation process used by Penglai Jutal and valuation techniques and inputs used in fair value measurements at 31 December 2015, 2016 and 30 June 2017

Penglai Jutal has engaged external valuation expert with the professional qualifications and recent experience to perform the fair value measurement of foreign currency forward contracts outstanding at 31 December 2015, 2016 and 30 June 2017.

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

Level 2 fair value measurements			Fair value							
					As at 31 December				As at 30 June	
Description	Valuation technique	Valuation technique	2014		2015		2016		2017	
			RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
			Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	–	–	–	6,234	–	10,653	6,225	972

There were no changes in the valuation techniques used during the years ended 31 December 2015, 2016 and six months ended 30 June 2017.

Penglai Jutal did not have any outstanding foreign currency forward contracts at 31 December 2014.

8. TURNOVER

Penglai Jutal's turnover for the Relevant Period represents revenue from construction contracts in relation to Penglai Jutal's sale and construction of (i) offshore oil and natural gas exploration facilities; (ii) quayside machineries and (iii) chemical engineering facilities business.

9. OTHER INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	870	2,888	4,316	1,064	7,916
Fair value gain on derivative financial instruments	–	7,192	–	–	11,271
Government grant recognised *(note a)*	4,830	3,480	1,176	475	415
Net foreign exchange gains	847	6,072	16,646	6,005	–
Reversal of allowance for other receivables	7,353	–	–	–	–
Reversal of allowance for inventories	–	1,097	–	–	–
Sales of scrap materials	3,109	2,166	960	602	721
Sundry income	2,348	5,452	4,982	3,673	1,962
	19,357	28,347	28,080	11,819	22,285

(a) For the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, government grants of approximately RMB4,000,000, RMB2,650,000, RMB346,000, RMB60,000 and RMB nil respectively are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Penglai Jutal with no future related costs. The remaining government grants are recognised in relation to certain research and development activities.

10. SEGMENT INFORMATION

Penglai Jutal has been operating in one single operating and reportable segment which was managed as a single strategic business unit that engaged in sales and construction of (i) offshore oil and natural gas exploration facilities; (ii) quayside machineries and (iii) chemical engineering facilities business. Information reported to Penglai Jutal's chief operating decision maker, for the purpose of resources allocation and performance assessment is focused on the operating results of Penglai Jutal as a whole as Penglai Jutal's resources are integrated and no discrete financial information is available. Accordingly, no business segment analysis is presented.

Geographical information:

Penglai Jutal's turnover from external customers by location of customers are detailed below:

	Turnover				
	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Austria	48,482	61,551	–	–	–
France	35,475	807,634	1,480,200	789,048	1,088,273
PRC	439,466	414,457	27,909	10,130	–
United States	134,829	162,617	65,687	28,124	163
Norway	28,558	23,511	13,625	11,865	12,968
Japan	–	–	12,319	–	179,811
Others	21,149	–	–	–	–
Total	707,959	1,469,770	1,599,740	839,167	1,281,215

At 31 December 2014, 2015, 2016, 30 June 2016 and 2017, all of Penglai Jutal's non-current assets (excluding deferred tax assets) are located in the PRC.

Turnover from major customers:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A	35,475*	807,634	1,480,200	789,048	1,088,273
Customer B	69,870*	51,340*	–	–	–
Customer C	–	–	12,319*	–	179,811
Customer D	107,843	209,269	18,566*	15,818*	–
Customer E	153,269	119,249*	–	–	–
Customer F	91,207	21,847*	–	–	–

* Contributed to less than 10% of Penglai Jutal's total revenue for the relevant year/period.

11. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings	18,502	12,099	8,152	3,890	4,445
Amount capitalised	(670)	(447)	(427)	(136)	–
	17,832	11,652	7,725	3,754	4,445
Others	493	830	1,426	296	2,123
	18,325	12,482	9,151	4,050	6,568
The weighted average capitalisation rate on funds borrowed generally is at the rate of	5.91%	5.97%	3.55%	3.85%	–

12. INCOME TAX EXPENSE

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax – PRC Enterprise Income Tax					
Provision for the year	2,264	13,652	13,260	3,848	36,986
Deferred tax *(note 29)*	(520)	1,841	4,054	2,559	(580)
	1,744	15,493	17,314	6,407	36,406

Pursuant to the relevant income tax law of PRC, companies established in the PRC were subject to income tax at a rate of 25% unless preferential rates were applicable.

During the Relevant Period, Penglai Jutal was approved to recognise as a new and high technology enterprise in the PRC and was therefore entitled to a preferential income tax rate of 15%.

For the six months ended 30 June 2017, because certain conditions required to enjoy the preferential income tax rate have not been met, the directors determined that income tax rate of 25% was applicable to Penglai Jutal for the six months ended 30 June 2017 (six months ended 30 June 2016: 15%).

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

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	30,325	79,328	116,894	44,781	143,630
Tax at the PRC enterprise income tax rate of 15% (six months ended 30 June 2017: 25%)	4,549	11,899	17,534	6,717	35,908
Tax effect of income that is not taxable	–	–	–	–	–
Tax effect of expenses that are not deductible	122	612	834	136	432
Tax effect of temporary difference not recognised	(2,927)	2,982	(1,054)	(446)	66
Income tax expense	1,744	15,493	17,314	6,407	36,406

13. PROFIT FOR THE RELEVANT PERIOD

Penglai Jutal's profit for the Relevant Period is stated after charging/(crediting) the following:

		For the year ended 31 December			For the six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
(a)	Staff costs (including directors' emoluments):					
	Salaries, wages and other benefits	154,840	175,290	192,470	77,385	91,301
	Retirement scheme contributions	17,471	19,238	20,544	10,194	10,746
		172,311	194,528	213,014	87,579	102,047
(b)	Others items:					
	Allowance for inventories*	1,719	–	4,121	1,749	348
	Allowance for trade and other receivables*	662	–	4,890	2,819	11,110
	Amortisation of intangible assets	54	54	32	19	10
	Auditor's remuneration	75	89	129	129	177
	Cost of inventories utilised in construction contracts	268,981	548,303	586,272	297,469	129,170
	Depreciation	68,813	76,741	84,498	42,893	40,943
	Fair value (gain)#/loss* on derivative financial instruments	–	(7,192)	15,202	1,432	(11,271)
	Net foreign exchange (gains)#/losses*	(847)	(6,072)	(16,646)	(6,005)	14,088
	Net loss on disposals of fixed assets*	699	1,925	364	79	11
	Operating lease charges					
	– Land and buildings	733	2,142	2,325	1,248	190
	– Plant and equipment	2,366	18,481	27,827	14,598	3,909
	Research and development expenditure	31,483	51,649	58,566	22,250	27,112
	Reversal of allowance for inventories#	–	(1,097)	–	–	–
	Reversal of allowance for other receivables#	(7,353)	–	–	–	–
	Written off of irrecoverable trade receivables*	13,231	–	–	–	20,662
	Written off of obsolete inventories*	4,194	–	–	–	–

* These amounts are included in "Other operating expenses"

\# These amounts are included in "Other income"

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of every director is set out below:

	Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014:						
Mr. Wang Lishan	–	6	–	–	–	6
Mr. Tang Kin Fei	–	6	–	–	–	6
Mr. An Luming *(note a)*	–	6	–	–	–	6
Mr. Fan Zhaoping	–	6	–	–	–	6
	–	24	–	–	–	24
For the year ended 31 December 2015:						
Mr. Wang Lishan	–	12	–	–	–	12
Mr. Tang Kin Fei	–	12	–	–	–	12
Mr. An Luming *(note a)*	–	6	–	–	–	6
Mr. Fan Zhaoping	–	12	–	–	–	12
	–	42	–	–	–	42
For the year ended 31 December 2016:						
Mr. Wang Lishan	–	6	–	–	–	6
Mr. Tang Kin Fei	–	12	–	–	–	12
Mr. An Luming *(note a)*	–	–	–	–	–	–
Mr. Fan Zhaoping	–	12	–	–	–	12
Mr. Wu Hanming *(note b)*	–	12	–	–	–	12
	–	42	–	–	–	42
For the six months ended 30 June 2017:						
Mr. Wang Lishan	–	6	–	–	–	6
Mr. Tang Kin Fei	–	6	–	–	–	6
Mr. Fan Zhaoping	–	6	–	–	–	6
Mr. Wu Hanming *(note b)*	–	6	–	–	–	6
	–	24	–	–	–	24

	Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2016: (unaudited)						
Mr. Wang Lishan	–	–	–	–	–	–
Mr. Tang Kin Fei	–	–	–	–	–	–
Mr. An Luming *(note a)*	–	–	–	–	–	–
Mr. Fan Zhaoping	–	–	–	–	–	–
Mr. Wu Hanming *(note b)*	–	–	–	–	–	–
	–	–	–	–	–	–

(a) Mr. An Luming resigned as director on 8 June 2016.

(b) Mr. Wu Hanming was appointed as director on 8 June 2016.

During the Relevant Period, no arrangement under which a director waived or agreed to waive any emoluments.

(b) Employees' emoluments

The emoluments payable to the five highest paid individuals for the Relevant Period are set out below. None of these highest paid individuals included any of the directors of Penglai Jutal for the Relevant Period.

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and allowances	7,584	9,395	10,313	5,061	5,293
Retirement benefits scheme contributions	28	37	32	16	17
	7,612	9,432	10,345	5,077	5,310

Their emoluments fell within the following band:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
				(unaudited)	
HK$500,001 to HK$1,000,000 *(note)*	–	–	–	3	2
HK$1,000,001 to HK$1,500,000 *(note)*	–	–	–	–	1
HK$1,500,001 to HK$2,000,000 *(note)*	4	2	2	2	2
HK$2,000,001 to HK$2,500,000 *(note)*	–	1	1	–	–
HK$2,500,001 to HK$3,000,000 *(note)*	1	2	–	–	–
HK$3,000,001 to HK$3,500,000 *(note)*	–	–	1	–	–
HK$3,500,001 to HK$4,000,000 *(note)*	–	–	1	–	–

Note: The applicable exchange rate for translation of RMB to HKD for the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017 are 0.80, 0.80, 0.85, 0.84 and 0.88 respectively.

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

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

No significant transactions, arrangements and contracts in relation to Penglai Jutal's business to which Penglai Jutal was a party and in which a director of the Penglai Jutal and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time throughout the Relevant Period.

15. DIVIDENDS

No dividends were paid, declared or proposed during the Relevant Period.

16. FIXED ASSETS

	Property, plant and equipments							
	Buildings, pier and other infrastructure	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Sub-total	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2014	688,209	442,999	33,733	9,425	2,578	1,176,944	45,327	1,222,271
Additions	–	11,815	3,966	–	25,068	40,849	10,098	50,947
Reclassification	23,115	–	–	–	(23,115)	–	–	–
Disposals	(10,380)	(859)	(804)	–	–	(12,043)	(9,743)	(21,786)
At 31 December 2014 and 1 January 2015	700,944	453,955	36,895	9,425	4,531	1,205,750	45,682	1,251,432
Additions	6,669	24,930	48,460	1,054	56,702	137,815	12,008	149,823
Reclassification	36,401	15,735	333	–	(52,469)	–	–	–
Disposals	(1,628)	(3,184)	(775)	(995)	–	(6,582)	–	(6,582)
At 31 December 2015 and 1 January 2016	742,386	491,436	84,913	9,484	8,764	1,336,983	57,690	1,394,673
Additions	–	13,625	2,681	311	29,412	46,029	689	46,718
Reclassification	31,340	–	468	–	(31,808)	–	–	–
Disposals	–	(2,332)	(661)	(509)	–	(3,502)	–	(3,502)
At 31 December 2016 and 1 January 2017	773,726	502,729	87,401	9,286	6,368	1,379,510	58,379	1,437,889
Additions	–	123	883	–	5,121	6,127	3,785	9,912
Reclassification	–	–	2,458	–	(2,458)	–	–	–
Disposals	–	(38)	(11)	–	–	(49)	–	(49)
At 30 June 2017	773,726	502,814	90,731	9,286	9,031	1,385,588	62,164	1,447,752
Accumulated depreciation								
At 1 January 2014	128,878	178,838	17,921	4,095	–	329,732	3,380	333,112
Charge for the year	25,722	35,268	6,177	1,194	–	68,361	452	68,813
Disposals	(93)	(629)	(726)	–	–	(1,448)	–	(1,448)
At 31 December 2014 and 1 January 2015	154,507	213,477	23,372	5,289	–	396,645	3,832	400,477
Charge for the year	29,322	37,102	8,407	989	–	75,820	921	76,741
Disposals	(264)	(2,450)	(697)	(937)	–	(4,348)	–	(4,348)
At 31 December 2015 and 1 January 2016	183,565	248,129	31,082	5,341	–	468,117	4,753	472,870
Charge for the year	30,184	39,134	13,037	1,058	–	83,413	1,085	84,498
Disposals	–	(1,990)	(617)	(373)	–	(2,980)	–	(2,980)

	Property, plant and equipments						Leasehold land	Total
	Buildings, pier and other infrastructure	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 1 January 2017	213,749	285,273	43,502	6,026	–	548,550	5,838	554,388
Charge for the period	14,920	19,075	6,197	489	–	40,681	262	40,943
Disposals	–	(38)	–	–	–	(38)	–	(38)
At 30 June 2017	228,669	304,310	49,699	6,515	–	589,193	6,100	595,293
Carrying amount								
At 31 December 2014	546,437	240,478	13,523	4,136	4,531	809,105	41,850	850,955
At 31 December 2015	558,821	243,307	53,831	4,143	8,764	868,866	52,937	921,803
At 31 December 2016	559,977	217,456	43,899	3,260	6,368	830,960	52,541	883,501
At 30 June 2017	545,057	198,504	41,032	2,771	9,031	796,395	56,064	852,459

At 31 December 2014, the carrying amount of fixed assets pledged as security for Penglai Jutal's bank borrowings amounted to approximately RMB72,799,000. These pledged fixed assets were released during the year ended 31 December 2015. As at 31 December 2015 and 2016 and 30 June 2017, no fixed assets were pledged as security for Penglai Jutal's bank borrowings.

At 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal is still in the process of obtaining the land use right certificates of certain leasehold lands with carrying amounts of RMB21,919,000, RMB33,522,000, RMB33,642,000 and RMB37,426,000, respectively.

At 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal has certain building structures with carrying amounts of RMB29,045,000, RMB27,942,000, RMB45,587,000 and RMB44,722,000, respectively erected on certain leasehold lands which Penglai Jutal is still in the process obtaining the respective land use right certificates. Accordingly, Penglai Jutal has not obtained the relevant ownership certificates for these building structures. In addition, at 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal is still in the process of obtaining the ownership certificates of other building structures with carrying amounts of RMB53,882,000, RMB55,521,000, RMB53,687,000 and RMB52,637,000 respectively.

17. INTANGIBLE ASSETS

	Patents and computer software
	RMB'000
Cost	
At 1 January 2014, 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017	433
Accumulated amortisation	
At 1 January 2014	136
Amortisation for the year	54
At 31 December 2014 and 1 January 2015	190
Amortisation for the year	54
At 31 December 2015 and 1 January 2016	244
Amortisation for the year	32
At 31 December 2016 and 1 January 2017	276
Amortisation for the period	10
At 30 June 2017	286
Carrying amount	
At 31 December 2014	243
At 31 December 2015	189
At 31 December 2016	157
At 30 June 2017	147

18. INVENTORIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	64,791	102,431	73,913	41,159

During the year ended 31 December 2015, certain slow-moving raw materials were used in Penglai Jutal's construction contracts, allowance made in prior years against these inventories of approximately RMB1,097,000 was reversed during the year ended 31 December 2015.

19. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	120,293	152,101	444,799	46,722
Allowance for doubtful debts	(2,051)	–	–	–
	118,242	152,101	444,799	46,722
Bills receivables	10,248	200	8,600	–
	128,490	152,301	453,399	46,722

Penglai Jutal's trade receivables mainly represent progress billings receivables from contract customers.

Penglai Jutal's trading terms with contract customers are mainly on credit. The credit terms generally range from 30 to 60 days or in accordance with milestone payment terms as detailed in contract. Application for progress payment of contract works is made on a regular basis. Penglai Jutal seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	95,439	102,775	265,445	22,415
31 to 90 days	16,910	41,025	167,290	2,336
91 to 365 days	190	8,008	11,629	20,299
Over 365 days	5,703	293	435	1,672
	118,242	152,101	444,799	46,722

At 31 December 2014, 2015 and 2016 and 30 June 2017, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB43,000, RMB1,540,000, RMB993,000 and RMB993,000 respectively.

Movement of the allowance for trade receivables is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	1,389	2,051	–	–
Allowance for the year/period	662	–	–	–
Amounts written off	–	(2,051)	–	–
At the end of year/period	2,051	–	–	–

As of 31 December 2014, 2015 and 2016 and 30 June 2017, trade receivables of approximately RMB3,635,000, RMB9,111,000, RMB10,276,000 and RMB10,853,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	3,592	8,542	8,996	3,448
3 to 6 months	43	569	1,280	7,405
	3,635	9,111	10,276	10,853

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	93,800	37,832	30,100	9,019
US$	28,353	114,469	423,299	37,703
Euro	6,337	–	–	–
Total	128,490	152,301	453,399	46,722

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	622,159	1,616,036	2,567,007	3,746,888
Less: Progress billings	(624,107)	(1,832,616)	(3,167,509)	(3,742,771)
	(1,948)	(216,580)	(600,502)	4,117
Gross amount due from customers for contract work	106,435	115,325	28,619	46,537
Gross amount due to customers for contract work	(108,383)	(331,905)	(629,121)	(42,420)
	(1,948)	(216,580)	(600,502)	4,117

In respect of construction contracts in progress as at 31 December 2014, 2015 and 2016 and 30 June 2017, retentions receivables included in trade and bills receivables amounted to approximately RMB1,629,000, RMB1,540,000, RMB993,000 and RMB993,000 respectively.

Advances received in respect of construction contracts at 31 December 2016 amounted to approximately RMB46,926,000 and is included in accruals and other payables. There was no advances received in respect of construction contract at 31 December 2014, 2015 and 30 June 2017.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	36,779	20,624	4,815	3,401
Deposits	2,952	1,516	260	295
Other receivables	49,799	73,110	79,813	41,075
	89,530	95,250	84,888	44,771
Less: Allowance for other receivables	–	–	(4,890)	(16,000)
	89,530	95,250	79,998	28,771

Movement of the allowance for other receivables is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	7,353	–	–	4,890
Allowance for the year/period	–	–	4,890	11,110
Reversal of allowance	(7,353)	–	–	–
At the end of year/period	–	–	4,890	16,000

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivatives not under hedge accounting:				
Foreign currency forward	–	–	–	6,225
Financial liabilities				
Derivatives not under hedge accounting:				
Foreign currency forward	–	6,234	10,653	972

At the end of the Relevant Period, Penglai Jutal had outstanding foreign currency forward contracts mainly to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in US$. The maximum notional principal amounts of these outstanding foreign currency forward contracts at the end of the Relevant Period were as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sell US$ for RMB	–	432,804	187,575	376,467

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.

Penglai Jutal did not fulfill the conditions of hedging relationship under the stringent and comprehensive documentation requirements as defined in HKAS 39 "Financial Instruments: Recognition and Measurement" and the foreign currency forward contracts are measured at fair value through profit or loss.

The net change in the fair value of all of the non-hedging foreign currency forward contracts charged to the profit or loss during the Relevant Period is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fair value (gain)/loss charged to the profit or loss	–	(7,192)	15,202	1,432	(11,271)

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Penglai Jutal's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to Penglai Jutal as set out in note 28 to the Historical Financial Information.

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

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	74,632	169,192	446,953	408,349
US$	105,955	271,218	397,883	1,005,136
Euro	21	743	19	36
Others	9	12	2	7
	180,617	441,165	844,857	1,413,528

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.

24. TRADE AND BILLS PAYABLES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	106,069	312,829	301,183	817,724
Bills payables	31,135	57,393	5,813	–
	137,204	370,222	306,996	817,724

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	92,496	285,098	223,047	719,012
31 to 90 days	9,186	14,072	47,227	25,441
91 to 365 days	2,104	11,306	20,576	57,019
Over 365 days	2,283	2,353	10,333	16,252
	106,069	312,829	301,183	817,724

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Euro	30	709	18	19
RMB	133,118	354,101	263,960	807,003
US$	4,056	15,412	43,018	10,702
	137,204	370,222	306,996	817,724

25. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued staff salaries	31,510	35,375	37,066	24,777
Receipt in advances	–	–	46,926	–
Other payables	3,758	4,542	2,094	4,654
Payables for purchases of fixed assets	7,650	17,431	16,509	8,542
Others	3,306	4,015	5,586	5,501
	46,224	61,363	108,181	43,474

26. WARRANTY PROVISIONS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	12,379	5,763	10,854	16,009
Additional provisions	3,397	7,180	7,713	23,321
Reversal of provisions	(9,581)	(2,089)	(2,533)	(2,863)
Provisions used	(432)	–	(25)	(256)
At the end of year/period	5,763	10,854	16,009	36,211

The warranty provision represents Penglai Jutal's best estimate of Penglai Jutal's liability under 18 – 36 months warranties granted to its customers in relation to certain sale and construction of (i) offshore oil and natural gas exploration facilities; (ii) quayside machineries and (iii) chemical engineering facilities business, 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.

27. BANK BORROWINGS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	269,223	122,719	263,400	332,800

The bank borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	234,223	122,719	3,200	201,200
More than one year, but not exceeding two years	35,000	–	198,700	66,600
More than two years, but not more than five years	–	–	61,500	65,000
	269,223	122,719	263,400	332,800
Less: Amount due for settlement within 12 months (shown under current liabilities)	(234,223)	(122,719)	(3,200)	(201,200)
Amount due for settlement after 12 months	35,000	–	260,200	131,600

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

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	240,300	84,000	263,400	332,800
US$	12,532	9,274	–	–
Euro	16,391	29,445	–	–
	269,223	122,719	263,400	332,800
Average interest rate per annum	5.09%	4.53%	4.22%	4.23%

As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank borrowings of approximately RMB144,191,000, RMB9,274,000, RMB195,000,000 and RMB195,000,000 respectively are arranged at fixed interest rates and expose Penglai Jutal to fair value interest rate risk. Other bank borrowings were arranged at floating rates, thus exposing Penglai Jutal to cash flow interest rate risk.

As at 31 December 2014, bank borrowings of approximately RMB51,500,000 are secured by a charge over the Penglai Jutal's fixed assets (note 16). As at 31 December 2015 and 2016 and 30 June 2017, no security was charged for Penglai Jutal's bank borrowings.

28. BANKING FACILITIES

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal had available undrawn banking facilities of approximately RMB1,205,048,000, RMB1,202,259,000, RMB1,319,061,000 and RMB1,449,542,000 respectively. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc. As at 31 December 2014, Penglai Jutal's banking facilities are secured by the pledges of Penglai Jutal's fixed assets (note 16) and bank deposits (note 23) respectively. As at 31 December 2015, 2016 and 30 June 2017, Penglai Jutal's banking facilities are secured by bank deposits (note 23).

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal had obtained bank guarantees under performance bonds for construction contracts of approximately RMB239,969,000, RMB516,455,000, RMB470,106,000 and RMB289,683,000 respectively.

29. DEFERRED TAX

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

	Accelerated tax depreciation	Provisions	Recognition of contracting income	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	9,571	3,335	531	830	14,267
Charge to profit or loss for the year *(note 12)*					
– Changes in temporary differences	1,658	(561)	(371)	(206)	520
At 31 December 2014 and 1 January 2015	11,229	2,774	160	624	14,787
Charge to profit or loss for the year *(note 12)*					
– Changes in temporary differences	(7,245)	255	4,422	727	(1,841)
At 31 December 2015 and 1 January 2016	3,984	3,029	4,582	1,351	12,946
Charge to profit or loss for the year *(note 12)*					
– Changes in temporary differences	2,573	2,162	(9,243)	454	(4,054)
At 31 December 2015 and 1 January 2016	6,557	5,191	(4,661)	1,805	8,892
Charge to profit or loss for the period *(note 12)*					
– Changes in temporary differences	1,213	2,187	(289)	(2,531)	580
At 30 June 2017	7,770	7,378	(4,950)	(726)	9,472

30. DEFERRED REVENUE

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	3,320	2,490	1,660	830
Recognised as income and included in the other income	(830)	(830)	(830)	(415)
At the end of year/period	2,490	1,660	830	415
Analysed as:				
Non-current liabilities	2,490	1,660	830	415

In previous years, Penglai Jutal received approximately RMB8,300,000 government grants in relation to certain development projects, including construction of certain production premises and acquisition of certain plant and machineries.

The grants are recognised as deferred revenue and the deferred revenue will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended used. For the year ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, deferred revenue of approximately RMB830,000, RMB830,000, RMB830,000 and RMB415,000 was transferred to profit or loss.

31. PAID-UP CAPITAL

		Amount
	US$'000	*RMB'000*
Registered and fully paid up:		
At 1 January 2014, 31 December 2014, 2015 and 2016 and 30 June 2017	43,500	337,818

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

Penglai Jutal currently does not have any specific policies and processes for managing capital.

Penglai Jutal is not subject to any externally imposed capital requirements.

32. RESERVES

The amounts of Penglai Jutal's reserves and movements therein are presented in the statement of changes in equity.

Capital reserves

Capital reserve represents (i) the difference between the fair value and nominal value of certain equity holders' loans obtained at inception date during the year ended 31 December 2006. All the equity holder's loans were subsequently settled in the year ended 31 December 2008 and (ii) surplus of capital of approximately RMB2,230,000 received by Penglai Jutal over its registered paid-up capital.

33. CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Penglai Jutal did not have any significant contingent liabilities.

34. CAPITAL COMMITMENTS

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

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed assets	995	9,313	1,329	129

35. LEASE COMMITMENTS

At the end of the Relevant Period, the total future minimum lease payments under non-cancellable operating leases of which Penglai Jutal as lessee are payable as follows:

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	124	477	1,197	708

Operating lease payments represent rentals payable by Penglai Jutal for certain of its staff quarters and machineries. Leases are negotiated for an average term of 1 year and rentals are fixed over the lease terms and do not include contingent rentals.

36. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, Penglai Jutal had the following transactions with its related parties during the Relevant Period:

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Zhuhai Jutal Offshore Oil Services Company Limited ("**Zhuhai Jutal**")	–	5,627	952	85	200

Note: The intermediate holding company of Zhuhai Jutal has significant influence in Penglai Jutal throughout the Relevant Period.

(b) Penglai Jutal had paid compensation to key management personnel during the Relevant Period as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	24	42	42	–	24
Retirement benefits scheme contributions	–	–	–	–	–
	24	42	42	–	24

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Relevant Period, final dividend in respect of the year ended 31 December 2016 of RMB400,000,000 has been declared by the Company on 12 September 2017.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Penglai Jutal in respect of any period subsequent to 30 June 2017 and up to the date of this report.

The following is the text of the assurance report in respect of the Group's unaudited pro forma financial information, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Basis of preparation

The following is an illustrative and unaudited pro forma financial information of the Enlarge Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the remaining 70% equity interest in Penglai Jutal Offshore Engineering Heavy Industries Company Limited (the "**Target Company**") (the "**Proposed Acquisition**").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 30 June 2017 or any future date, or the consolidated results and cash flows of the Enlarged Group for the year ended 31 December 2016 or for any future period.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2016.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2017 is prepared as if the Proposed Acquisition had taken place on 30 June 2017 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as extracted from the published interim report of the Company for the period ended 30 June 2017 and (ii) the audited statement of financial position of the Target Company as at 30 June 2017 as extracted from the Accountants' Report set out in Appendix III to this Circular, after making pro forma adjustments that are (a) directly attributable to the Proposed Acquisition; and (b) factually supportable.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2016 are prepared as if the Proposed Acquisition had taken place on 1 January 2016 and are based on (i) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 and (ii) the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2016 as extracted from the Accountants' Report set out in Appendix III to this Circular, after making pro forma adjustments that are (a) directly attributable to the Proposed Acquisition; and (b) factually supportable.

The Unaudited Pro Forma Financial Information of the Group after the Proposed Acquisition should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this Circular, the financial information of the Target Company as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2017

	The Group	Target Company	Subtotal	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4a, 5a, 11)*	
Non-current assets						
Fixed assets	514,862	852,459	1,367,321		303,465	1,670,786
Prepaid land lease payments	385	–	385			385
Goodwill	197,830	–	197,830		(158,349)	39,481
Intangible assets	3,245	147	3,392		27,673	31,065
Investment in an associate	369,828	–	369,828	(120,000)	(249,828)	–
Deferred tax assets	119	9,472	9,591			9,591
	1,086,269	862,078	1,948,347	(120,000)	(77,039)	1,751,308
Current assets						
Inventories	22,103	41,159	63,262			63,262
Trade and bills receivables	174,489	46,722	221,211			221,211
Gross amount due from customers for contract work	150,584	46,537	197,121			197,121
Prepayments, deposits and other receivables	63,630	28,771	92,401			92,401
Derivative financial instruments	–	6,225	6,225			6,225
Due from directors	2,264	–	2,264			2,264
Current tax assets	1,086	–	1,086			1,086
Pledged bank deposits	17,927	3,051	20,978			20,978
Bank and cash balances	942,789	1,410,477	2,353,266	(280,000)	(174,768)	1,898,498
	1,374,872	1,582,942	2,957,814	(280,000)	(174,768)	2,503,046
Current liabilities						
Trade and bills payables	164,433	817,724	982,157			982,157
Gross amount due to customers for contract work	13,529	42,420	55,949			55,949
Accruals and other payables	37,824	43,474	81,298	12,000		93,298
Derivative financial instruments	–	972	972			972
Warranty provisions	1,866	36,211	38,077			38,077
Bank borrowings	127,784	201,200	328,984		20,015	348,999
Current tax liabilities	1,910	29,500	31,410			31,410
	347,346	1,171,501	1,518,847	12,000	20,015	1,550,862
Net current assets	1,027,526	411,441	1,438,967	(292,000)	(194,783)	952,184
Total assets less current liabilities	2,113,795	1,273,519	3,387,314	(412,000)	(271,822)	2,703,492
Non-current liabilities						
Bank borrowings	–	131,600	131,600		380,285	511,885
Deferred revenue	23,550	415	23,965			23,965
Deferred tax liabilities	34,336	–	34,336	(12,000)	82,784	105,120
	57,886	132,015	189,901	(12,000)	463,069	640,970
NET ASSETS	2,055,909	1,141,504	3,197,413	(400,000)	(734,891)	2,062,522
Capital and reserves						
Share capital	14,717	337,818	352,535		(337,818)	14,717
Reserves	2,041,192	803,686	2,844,878	(400,000)	(397,073)	2,047,805
TOTAL EQUITY	2,055,909	1,141,504	3,197,413	(400,000)	(734,891)	2,062,522

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group	Target Company	Subtotal	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*		*(note 5b)*	*(note 6)*	*(note 7)*	*(note 8)*	*(note 9)*	*(note 10)*	
Turnover	721,614	1,599,740	2,321,354			(1,328)				2,320,026
Cost of sales and services	(599,875)	(1,408,130)	(2,008,005)			1,328		(34,394)		(2,041,071)
Gross profit	121,739	191,610	313,349					(34,394)		278,955
Other income	13,446	28,080	41,526	78,201						119,727
Administrative expenses	(123,615)	(68,563)	(192,178)					(4,936)		(197,114)
Other operating expenses	(15,375)	(25,082)	(40,457)				(3,200)			(43,657)
(Loss)/profit from operations	(3,805)	126,045	122,240	78,201			(3,200)	(39,330)		157,911
Finance costs	(8,547)	(9,151)	(17,698)						(24,018)	(41,716)
Share of profit of an associate	29,608	–	29,608		(29,608)					–
Profit before tax	17,256	116,894	134,150	78,201	(29,608)		(3,200)	(39,330)	(24,018)	116,195
Income tax expenses	(5,670)	(17,314)	(22,984)					9,832		(13,152)
Profit for the year	11,586	99,580	111,166	78,201	(29,608)		(3,200)	(29,498)	(24,018)	103,043
Attributable to:										
Owners of the Company	11,586	99,580	111,166	78,201	(29,608)		(3,200)	(29,498)	(24,018)	103,043
Profit for the year	11,586	99,580	111,166	78,201	(29,608)		(3,200)	(29,498)	(24,018)	103,043
Other comprehensive income:										
Item that may be reclassified to profit or loss:										
Exchange differences on translating foreign operations	15,799	–	15,799							15,799
Other comprehensive income for the year, net of tax	15,799	–	15,799							15,799
Total comprehensive income for the year	27,385	99,580	126,965	78,201	(29,608)		(3,200)	(29,498)	(24,018)	118,842
Attributable to:										
Owners of the Company	27,385	99,580	126,965	78,201	(29,608)		(3,200)	(29,498)	(24,018)	118,842

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group	Target Company	Subtotal	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*		*(note 3)*	*(note 5b)*	*(note 6)*	*(note 8)*	*(note 9)*	*(note 4a(i), 10)*	
CASH FLOWS FROM OPERATING ACTIVITIES										
Profit before tax	17,256	116,894	134,150		78,201	(29,608)	(3,200)	(39,330)	(24,018)	116,195
Adjustments for:										
Finance costs	8,547	9,151	17,698						24,018	41,716
Share of profit of an associate	(29,608)	-	(29,608)			29,608				-
Equity settled share-based payments	2,465	-	2,465							2,465
Interest income	(363)	(4,316)	(4,679)							(4,679)
Depreciation	31,490	84,498	115,988					11,657		127,645
Amortisation of prepaid land lease payments	65	-	65							65
Amortisation of intangible assets	1,150	32	1,182					27,673		28,855
Net loss on disposals of fixed assets	766	364	1,130							1,130
Allowances for inventories	598	4,121	4,719							4,719
Allowances for trade and other receivables	2,491	4,890	7,381							7,381
Reversal of allowance for trade and other receivables	(156)	-	(156)							(156)
Impairment losses on gross amount due from customers for contract work	6,689	-	6,689							6,689
(Reversal of provisions)/provisions of warranty	(1,192)	5,179	3,987							3,987
Fair value loss on derivative financial instruments	2,054	15,202	17,256							17,256
Gains arising from business combination achieved in stages		-			(78,201)					(78,201)
Government grants income	(7,677)	(1,176)	(8,853)							(8,853)
Operating profit before working capital changes	34,575	234,839	269,414	-	-	-	(3,200)	-	-	266,214
Decrease/(increase) in inventories	628	24,397	25,025							25,025
(Increase)/decrease in trade and bills receivables	(52,678)	(301,098)	(353,776)							(353,776)
(Increase)/decrease in gross amount due from customers for contract work	(3,542)	86,706	83,164							83,164
Decrease/(increase) in prepayments, deposits and other receivables	30,587	10,362	40,949							40,949
(Increase)/decrease in amounts due from directors	(1,563)	-	(1,563)							(1,563)
Decrease/(increase) in amount due from an associate	398	-	398							398
Increase/(decrease) in trade and bills payables	33,835	(63,226)	(29,391)							(29,391)
(Decrease)/increase in gross amount due to customers for contract work	(1,014)	297,216	296,202							296,202
Decrease in accruals and other payables	(28,690)	46,758	18,068							18,068
Decrease in warranty provisions		(24)	(24)							(24)
Cash generated from operations	12,536	335,930	348,466	-	-	-	(3,200)	-	-	345,266
Income taxes paid	(1,616)	(11,147)	(12,763)							(12,763)
Interest paid	(7,999)	(8,092)	(16,091)						(24,018)	(40,109)
Other finance costs	(726)	(1,426)	(2,152)							(2,152)
Net cash generated from operating activities	2,195	315,265	317,460	-	-	-	(3,200)	-	(24,018)	290,242

	The Group	Target Company	Subtotal	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*		*(note 3)*	*(note 5b)*	*(note 6)*	*(note 8)*	*(note 9)*	*(note 4a(i), 10)*	
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest received	363	4,316	4,679							4,679
Purchases of fixed assets	(25,236)	(46,291)	(71,527)							(71,527)
Proceeds from disposals of fixed asset	1,168	158	1,326							1,326
Purchases of intangible assets	(749)	-	(749)							(749)
(Increase)/decrease in pledged bank deposits	(15,796)	-	(15,796)							(15,796)
Government grants received	9,458	346	9,804							9,804
Net (payment)/receipt from settlement of derivative financial instruments	(3,660)	(10,783)	(14,443)							(14,443)
Transaction costs for the Proposed Acquisition	-	-	-							-
Dividend received				108,000						108,000
Proposed Acquisition	-	-	-		(571,868)					(571,868)
Net cash used in investing activities	(34,452)	(52,254)	(86,706)	108,000	(571,868)	-	-	-		(550,574)
CASH FLOWS FROM FINANCING ACTIVITIES										
Bank loans raised	341,237	326,131	667,368						400,300	1,067,668
Repayment of bank loans	(259,085)	(185,450)	(444,535)						(20,015)	(464,550)
Dividends paid	(6,803)	-	(6,803)	(388,000)						(394,803)
Proceeds from issue of shares on exercise of share options	-	-	-							-
Net cash generated from/(used in) financing activities	75,349	140,681	216,030	(388,000)	-	-	-	-	380,285	208,315
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	43,092	403,692	446,784	(280,000)	(571,868)	-	(3,200)	-	356,267	(52,017)
Effect of foreign exchange rate changes	4,547	-	4,547							4,547
CASH AND CASH EQUIVALENTS AT 1 JANUARY	74,641	441,165	515,806		-	-	-	-	-	515,806
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	122,280	844,857	967,137	(280,000)	(571,868)	-	(3,200)	-	356,267	468,336

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unadjusted consolidated statement of financial position of the Group as at 30 June 2017 is extracted from the published interim report of the Company for the period ended 30 June 2017. The unadjusted consolidated statement of profit or loss and other comprehensive income and the unadjusted consolidated statement of cash flows of the Group for the year ended 31 December 2016 are extracted from the published annual report of the Company for the year ended 31 December 2016.

2. The statement of financial position of the Target Company as at 30 June 2017, the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 December 2016 are extracted from the Accountants' Report of the Target Company which has been prepared under Hong Kong Financial Reporting Standards and using the accounting policies materially consistent with those of the Group as set out in Appendix III to this Circular, with certain reclassification being made to be in line with presentation of the consolidated financial statements of the Group where appropriate.

3. For the purpose of the preparation of the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of cash flows, the adjustments represent the inclusion of the final dividend in respect of the year ended 31 December 2016 of RMB400,000,000 declared by the Target Company on 12 September 2017. Pursuant to the Equity Transfer Agreement dated 27 November 2017 entered between the Group and the Vendor, the Target Company is required to pay the 2016 final dividend before the completion of the Proposed Acquisition.

   The Vendor's portion of 2016 final dividend of RMB280,000,000 is assumed to be paid as if the Proposed Acquisition had taken place on 30 June 2017 and 1 January 2016 respectively. There are no net cash effect of the Enlarged Group for the Group's portion of dividend received and paid. The Group's portion of dividend received is adjusted from the carrying amount of the investment in the Target Company in the unaudited pro forma consolidated statement of financial position.

4. The identifiable assets and liabilities of the Target Company acquired by the Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with HKFRS 3, *Business Combination*.

   (a) For the purpose of the preparation of the unaudited pro forma consolidated statement of financial position, the adjustments represent (i) the elimination of the Target Company's capital and reserves at the date of acquisition of the Target Company and (ii) the inclusion of fair value adjustments resulted from the allocation of the pro forma purchase consideration to the Target Company's identifiable assets and liabilities acquired, as if the Proposed Acquisition had taken place on 30 June 2017.

   The provisional pro forma purchase price allocation to identifiable assets and liabilities of the Target Company has been based on a valuation carried out by the management with the assistant from an independent valuer, Colliers International (Hong Kong) Limited ("**Colliers**"), with respect to certain major assets to be acquired and certain major liabilities to be assumed. For the purpose of the Unaudited Pro Forma Financial Information, apart from certain assets subjecting to the fair value adjustments stated in notes (iv) and (v) below, the fair value of the remaining identifiable assets and liabilities of the Target Company are assumed to equal to their respective carrying amounts as at 30 June 2017. The Company is still in the process of identifying and determining the fair values of the identifiable assets and liabilities of the Target Company, which will be determined as of the Completion Date and in turn, the resulting amount of goodwill, or bargain purchase gain if any, may differ materially from the provisional amounts disclosed below in the provision pro forma purchase price allocation.

	Completion as of 30 June 2017
	RMB'000
Consideration for the Proposed Acquisition	
– Cash consideration *(note i)*	571,868
– Acquisition date fair value of previously held equity interest *(note ii)*	455,267
	1,027,135
Carrying amounts of adjusted net assets of the Target Company as at 30 June 2017 *(note iii)*	(741,504)
Pro forma fair value adjustment to fixed assets *(note iv)*	(303,465)
Pro forma fair value adjustment to intangible assets *(note v)*	(27,673)
Deferred tax liabilities arising from pro forma fair value adjustment to fixed assets and intangible assets *(note vi)*	82,784
Goodwill arising from the Proposed Acquisition *(note vii)*	37,277

Notes:

(i) The Group intends to satisfy the consideration for the Proposed Acquisition by bank borrowings and internal resources of the Group in the amount of RMB400,300,000 and RMB171,568,000 respectively.

The amount of pro forma adjustment on bank and cash balances of RMB174,768,000 as shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group represents part of the consideration paid by the internal resources of the Group of approximately RMB171,568,000 adding the payment for estimated transaction costs for the Proposed Acquisition of approximately RMB3,200,000 as refer to in note 8 below.

(ii) In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the Target Company at its acquisition date fair value and recognised the resulting gain or loss in the profit or loss in accordance with HKFRS 3 Business combination. The fair value of this previously held equity interest is then added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The acquisition date fair value of the previously held equity interest in the Target Company has been based on a valuation with valuation date at 30 September 2017 carried out by the management with the assistant from an independent valuer, Colliers.

The estimated fair market value of 100% equity interest of the Target company is approximately RMB1,857,489,000 as at 30 September 2017. By deducting the control premium of approximately RMB339,933,000, the estimated fair value of previously held 30% equity interest is RMB455,267,000.

(iii) The amount represents the net assets of approximately RMB1,141,504,000, as extracted from the Accountants' Report of the Target Company as set out in Appendix III to this Circular and adjusted by the final dividend in respect of the year ended 31 December 2016 of RMB400,000,000 declared by the Target Company.

(iv) The pro forma fair value adjustments to fixed assets mainly related to the Target Company's buildings and other infrastructures and leasehold land.

(v) The pro forma fair value adjustments to intangible asset mainly related to recognition of the Target Company's order backlog.

(vi) The deferred tax liabilities relating to the pro forma fair value adjustment of fixed assets and intangible assets amounted to approximately RMB82,784,000 which is calculated at the PRC Enterprises Income Tax rate at 25% of the Target Company.

(vii) The amount of pro forma adjustment on goodwill of RMB158,349,000 as shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group represents the amount of goodwill of approximately RMB37,277,000 arising from the Proposed Acquisition of the Target Company as if the Proposed Acquisition had been taken up on 30 June 2017 and subtracting the carrying amounts of the goodwill attributable to the 30 % equity interest to the Target Company as at 30 June 2017 of RMB195,626,000.

(b) For simplicity and the purpose of the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows as if the Proposed Acquisition had taken place on 1 January 2016, the pro forma fair value adjustments on the identified assets and liabilities arising from the Proposed Acquisition is computed by assuming the pro forma fair value adjustments of the identifiable assets and liabilities of the Target Company as at 1 January 2016 approximate the relevant amounts as at 30 June 2017 as detailed above, as the management of the Company believes there were no material change between the two dates. The actual fair values of the identifiable assets and liabilities of the Target Company, which will be determined as of the Completion Date and in turn, the resulting amount of goodwill or bargain purchase gain may differ materially from the provisional amounts disclosed below in the provisional pro forma purchase price allocation.

	Completion as of 1 January 2016 *RMB'000*
Consideration for the Proposed Acquisition	
– Cash consideration	571,868
– Acquisition date fair value of previously held equity interest *(note ii)*	455,267
	1,027,135
Carrying amounts of adjusted net assets as at 1 January 2016 *(note viii)*	(534,700)
Pro forma fair value adjustment to fixed assets *(note iv)*	(303,465)
Pro forma fair value adjustment to intangible assets *(note v)*	(27,673)
Deferred tax liabilities arising from pro forma fair value adjustment to fixed assets and intangible assets *(note vi)*	82,784
Goodwill arising from the Proposed Acquisition	244,081

The pro forma net cash outflow of the Proposed Acquisition, which represents the consideration of approximately RMB571,868,000 adding of the estimated transaction costs for the Proposed Acquisition of approximately RMB3,200,000 less cash and cash equivalents of the Target Company acquired of approximately RMB441,165,000 amounting to approximately RMB133,903,000 as at 1 January 2016.

Notes:

(viii) The amount represents the net assets of approximately RMB934,700,000, as extracted from the Accountants' Report of the Target Company as set out in Appendix III to this Circular and adjusted by the final dividend in respect of the year ended 31 December 2016 of RMB400,000,000 declared by the Target Company as refer to in note 3 above.

5. In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the Target Company at its acquisition date fair value and recognised the resulting gain or loss in the profit or loss in accordance with HKFRS 3 *Business combination*.

(a) For the purpose of the preparation of the unaudited pro forma financial statement of financial position, the adjustment represents the recognition of the gain or loss arising from the business combination achieved in stages at the date of acquisition of the Target Company, as if the Proposed Acquisition had been taken up on 30 June 2017.

The pro forma gain of RMB9,813,000 arising from the business combination achieved in stages arises after subtracting the carrying amounts of the adjusted interest in an associate and goodwill attributable to the 30% equity interest to the Target Company as at 30 June 2017 of RMB249,828,000 and RMB195,626,000, from the fair value of the 30% equity interest in the Target Company of RMB455,267,000 which has been based on a valuation at 30 September 2017 carried out by the management with the assistant from an independent valuer.

(b) For the purpose of the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the adjustment represents the recognition of the gain or loss arising from the business combination achieved in stages at the date of acquisition of the Target Company, as if the Proposed Acquisition had been taken up on 1 January 2016.

The pro forma gain of RMB78,201,000 arising from the business combination achieved in stages arises after subtracting the carrying amounts of the adjusted interest in an associate and goodwill attributable to the 30% equity interest to the Target Company as at 1 January 2016 of RMB188,186,000 and RMB188,880,000, from the fair value of the 30% equity interest in the Target Company of RMB455,267,000. For the purpose of the preparation of the pro forma consolidated statement of profit or loss and the comprehensive income, the fair value of the 30% equity interest in the Target Company is assumed equal to the fair value at 30 September 2017 as estimated by the management refer to in note 5(a) above.

(c) The amount of goodwill attributable to the 30% equity interest to the Target Company as at 1 January 2016 of RMB188,880,000 as refer to in note 5(b) above was extracted from note 19 to the consolidated financial statements of the Company for the year ended 31 December 2015 included in the published annual report of the Company for the year ended 31 December 2015.

The increase in the amount of goodwill attributable to the 30% equity interest to the Company from RMB188,880,000 as at 1 January 2016 to RMB195,626,000 as at 30 June 2017 as refer to in note 5(a) above represents exchange realignment.

6. The adjustment represents the reversal of the share of results of the Target Company for the year ended 31 December 2016 and the interest in the Target Company as at 30 June 2017 under equity method of accounting.

7. The adjustment represents the elimination of inter-company revenue of the Group and the Target Company of approximately RMB1,328,000 for the year ended 31 December 2016 as if the Proposed Acquisition had been taken place on 1 January 2016.

8. The adjustment represents payment for estimated transaction costs for the Proposed Acquisition of approximately RMB3,200,000 in cash. This adjustment is not expected to have a continuing effect on the Enlarged Group.

9. The adjustment represents the additional depreciation and amortisation charges of the fixed assets and intangible assets of approximately RMB39,330,000 calculated with respect to the respective pro forma fair values as stated in Note 4 and useful lives, which are assumed to be provided for the year as if the Proposed Acquisition had been completed on 1 January 2016. The amount of approximately RMB9,832,000 represented the reversal of deferred tax liability relating to the additional depreciation and amortisation charged. These adjustments are expected to have a continuing effect on the Enlarged Group.

10. The adjustment represents the estimate interest expenses of approximately RMB24,018,000 on additional bank borrowings of RMB400,300,000 that the Group intends to obtain as refer to in note 4(a)(i) above, which are assumed to be paid for the year as if the Proposed Acquisition had been completed on 1 January 2016. The estimated interest expense is calculated using 6% per annum rate.

11. For the purpose of the preparation of the unaudited pro forma financial information, the Directors has performed an impairment assessment of the goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the impairment test, the recoverable amount of the cash-generating unit to which the Target Company was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the unaudited pro forma financial information.

12. As the Directors believe the tax effect of the above pro forma adjustments for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, if any, will be insignificant. Therefore, the above pro forma adjustments had not taken into account resulting tax effect.

    In addition, in respect of the bargain purchase gain and/or the loss arising from the business combination achieved in stages of the Target Company that may result from the Proposed Acquisition, the Directors have considered the potential income tax effects. The Directors are of the opinion that the Enlarged Group will be exempted under the relevant tax laws or by the relevant tax authorities. However, should the final tax assessment be different from what the Directors now estimated, the Enlarged Group may be subject to additional material income tax exposure which have not yet been reflected in the above pro forma adjustments.

The following is the text of a report received from the reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

8 December 2017

The Board of Directors
Jutal Offshore Oil Services Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jutal Offshore Oil Services Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages IV-1 to IV-11 of the circular issued by the Company dated 8 December 2017 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-11 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the remaining 70% equity interest in Penglai Jutal Offshore Engineering Heavy Industries Company Limited (the "**Proposed Acquisition**") on the Group's financial position as at 30 June 2017 as if the Proposed Acquisition had been taken place at 30 June 2017 and on the Group's financial performance and cash flows for the year ended 31 December 2016 as if the transaction had been taken place at 1 January 2016. As part of this process, information about the Group's consolidated financial position, consolidated financial performance and consolidated cash flows has been extracted by the Directors from the Group's consolidated financial statements for the period ended 30 June 2017 and year ended 31 December 2016, on which a review conclusion and an auditor's report have been published respectively.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests of the Directors and their associates in the shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be 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:

(i) The Company

Name of Director	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Wang	Interest of controlled corporation *(Note 1)*	396,911,278 (L)	24.35%
	Share options	12,000,000 (L)	0.74%
Mr. Cao Yunsheng	Interest of controlled corporation *(Note 2)*	8,000,000 (L)	0.49%
	Share options	19,000,000 (L)	1.17%
	Beneficial owner	1,000,000 (L)	0.06%

Notes:

1. These Shares are held by Cheung Hing Investments Limited ("**Cheung Hing**") as to 396,911,278 Shares. Cheung Hing is wholly and beneficially owned by Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares held by Cheung Hing.

2. These Shares are held by Sino Joint International Limited ("**Sino**") as to 8,000,000 Shares respectively. Sino is wholly and beneficially owned by Mr. Cao Yunsheng. By virtue of the SFO, Mr. Cao Yunsheng is deemed to be interested in the Shares held by Sino.

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at the Latest Practicable Date. Save and except as disclosed, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Name of Shareholder	Capacity	Number of Shares *(Note 1)*	Percentage of shareholding
Cheung Hing	Beneficial Owner *(Note 2)*	396,911,278 (L)	24.35%
Sanju HK	Beneficial Owner *(Note 3)*	641,566,556 (L)	39.35%
Sanju	Interest of controlled corporation *(Note 3)*	641,566,556 (L)	39.35%
Golden Talent	Beneficial Owner	161,995,555 (L)	9.94%

Notes:

1. The letters "L" denote a long position in the Shares respectively.

2. The 396,911,278 Shares are held by Cheung Hing, which is wholly-owned by Mr. Wang.

3. The 641,566,556 Shares are held by Sanju HK, which is wholly-owned by Sanju.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group which would fall to be disclosed under the Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2016, the date of which the latest published audited consolidated financial statements of the Enlarged Group were made up.

No contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. CHARGE ON ASSETS

As at 30 June 2017, approximately RMB17,927,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. Besides, at 30 June 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB10,963,000.

As at 31 December 2016, approximately RMB43,527,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. Besides, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB11,596,000. In addition, the Group has pledged bill receivables of RMB10,000,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

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

As at 31 December 2014, in order to obtain better financing conditions, the Group has pledged a parcel of land and a portion of structures and plants located in Zhuhai with a carrying amount of approximately RMB214,010,000 in favor of a commercial bank in China. Approximately RMB31,498,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB19,950,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

7. MATERIAL CONTRACT

The following contracts, not being the contract entered into the ordinary course of business, was entered into by the Enlarged Group within two years immediately preceding the date of this circular which is or may be material:

(i) the subscription agreement dated 15 March 2017 entered into among the Company, Sanju HK and Golden Talent in relation to the subscription of an aggregate of 803,562,111 Shares at the subscription price of HK$1.20 per Share; and

(ii) the Equity Transfer Agreement.

Save as disclosed above, no other material contract had been entered into by the Enlarged Group within the two years immediately preceding the date of this circular.

8. LITIGATION AND POSSIBLE LEGAL ACTION

As at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Enlarged Group.

9. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates has any interests, either direct or indirect, in any assets which had been or were proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up, nor do they have any interest in any business that competes or is likely to compete with the business of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

11. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions or advices which are contained or referred to in this circular:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Colliers International (Hong Kong) Limited	Independent Valuer

As at the Latest Practicable Date, RSM Hong Kong had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or reports or letters, as the case may be, and references to its names in the form and context in which they are included.

As at the Latest Practicable Date, RSM Hong Kong and Colliers International (Hong Kong) Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, RSM Hong Kong and Colliers International (Hong Kong) Limited did not have any interests, either direct or indirect, in any assets which had been or were proposed to be acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up.

12. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Leung Fung Yee Alice, who is a practicing solicitor in Hong Kong and an associate member of The Institute of the Chartered Secretaries and Administrators in the United Kingdom, and an associate member of The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, the principal place of business of the Company in Hong Kong is situated at 1102-1103, 11th Floor, No. 9 Queen's Road Central, Hong Kong and the headquarters of the Company in the PRC is situated at 10th Floor, Chiwan Petroleum Building, Shekou, Nanshan District, Shenzhen, the PRC 518068.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the office of the Company at 1102-1103, 11th Floor, No. 9 Queen's Road Central, Hong Kong during normal business hours on any Business Day for a period of 14 days from the date of this circular:

(a) this circular;

(b) the Equity Transfer Agreement;

(c) the memorandum and articles of association of the Company;

(d) the annual reports of the Company containing audited financial statements of the Group for the two financial year ended 31 December 2016;

(e) the Accountant's Report on the Target Group prepared by RSM Hong Kong as set out in Appendix III to this Circular;

(f) the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

(g) the material contracts referred to in the above paragraph headed "Material Contracts" in this appendix;

(h) the letters of consent referred to in the section headed "Expert and Consent" in this appendix; and

(i) the circulars of the Company dated 11 May 2017 and 20 November 2017

* *The English translation of Chinese names or words in this circular, where indicated, are included for information purposes only, and should not be regarded as the official English translation of such Chinese names or words.*

JUTAL OFFSHORE OIL SERVICES LIMITED
巨濤海洋石油服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3303)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Jutal Offshore Oil Services Limited (the "**Company**") will be held at 10th Floor, Chiwan Petroleum Building, Shekou, Shenzhen, PRC. on Tuesday, 26 December 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**:

the Equity Transfer Agreement (as defined in the circular of the Company dated 8 December 2017) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company (the "**Director**") be and is hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as he/she considers to be necessary, appropriate or expedient in connection with and to implement or give effect to the Equity Transfer Agreement and the transactions contemplated thereunder, and to execute all such other documents, instruments and agreements (including the affixation of the Company's common seal) deemed by him/her to be incidental to, ancillary to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder."

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

Hong Kong, 8 December 2017

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxies must be deposited with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the meeting.

2. Where a Shareholder appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or by his/her attorney duly authorised in writing. If a Shareholder is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The Register of Members will be closed from 20 December 2017 to 22 December 2017 (both days inclusive). In order to be qualified to attend and vote at the extraordinary general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 19 December 2017.

5. Completion and return of the proxy form will not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish, and in such event, such proxy form shall be deemed to be revoked.

6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the executive Directors are Mr. Liu Lei (Chairman), Mr. Wang Lishan, Mr. Lin Ke, Mr. Cao Yunsheng, Mr. Cao Huafeng and Mr. Sergey Borovskiy; and the independent non-executive Directors are Mr. Su Yang, Mr. Zheng Yimin and Mr. Qi Daqing.