

JUTAL

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

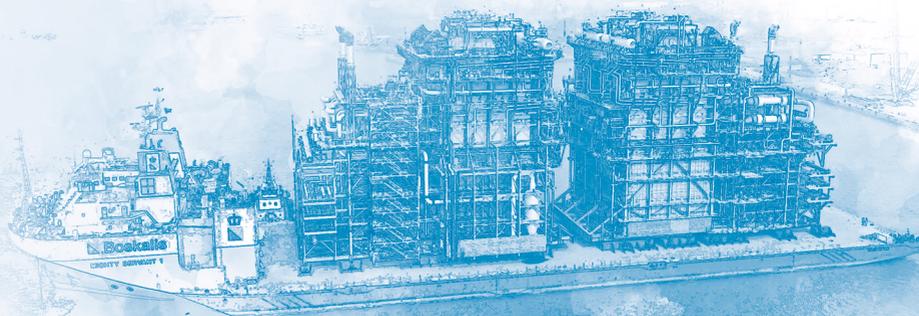
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 03303

2021 INTERIM REPORT



CONTENTS

FINANCIAL HIGHLIGHTS	2
INDEPENDENT REVIEW REPORT	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	5
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	29
DIRECTORS REPORT AND CORPORATE GOVERNANCE	40
CORPORATE INFORMATION	58



Financial Highlights

- Revenue was RMB2,042,142,000, a 57.53% increase from the same period in last year.
- Gross profit was RMB263,505,000, a 48.46% increase from the same period in last year.
- Profit attributable to owners of the Company was RMB98,301,000, a 288% increase from the same period in last year.
- Basic earnings per share was RMB5.966 cents and diluted earnings per share was RMB5.901 cents for the six months ended 30 June 2021.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2021.

The board (the “Board”) of directors (the “Directors”) of Jutal Offshore Oil Services Limited (the “Company”) is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2021 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2020. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been reviewed by the audit committee of the Company (the “Audit Committee”). RSM Hong Kong, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”).

Independent Review Report



TO THE BOARD OF DIRECTORS OF JUTAL OFFSHORE OIL SERVICES LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 28 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF 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 of interim financial information 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 than 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong

Certified Public Accountants

29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

25 August 2021

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	2,042,142	1,296,344
Cost of sales and services		(1,778,637)	(1,118,848)
Gross profit		263,505	177,496
Other income	6	25,862	16,281
Administrative expenses		(173,325)	(96,708)
Reversal of impairment losses/ (impairment losses) on trade and other receivables		34,475	(26,673)
Reversal of impairment losses/ (impairment losses) on contract assets		504	(164)
Other operating expenses	7	(11,739)	(13,517)
Profit from operations		139,282	56,715
Finance costs	8	(14,633)	(19,432)
Profit before tax		124,649	37,283
Income tax expense	10	(26,348)	(11,920)
Profit for the period attributable to owners of the Company	11	98,301	25,363
Earnings per share	12	RMB	RMB
Basic		5.966 CENTS	1.552 CENTS
Diluted		5.901 CENTS	1.552 CENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period	98,301	25,363
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(7,919)	18,096
Other comprehensive income for the period, net of tax	(7,919)	18,096
Total comprehensive income for the period attributable to owners of the Company	90,382	43,459

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	1,215,304	1,246,905
Right-of-use assets	14	433,168	444,561
Goodwill		52,444	52,444
Intangible assets		10,785	12,226
Trade receivables, non-current	15	6,002	1,592
Deferred tax assets		30,240	29,452
		1,747,943	1,787,180
Current assets			
Inventories		195,061	127,343
Trade and bills receivables	15	573,259	721,246
Contract cost assets		6,047	6,150
Contract assets		230,958	455,282
Prepayments, deposits and other receivables		253,265	181,474
Derivative financial instruments		8,591	2,182
Current tax assets		18	–
Pledged bank deposits		112,291	136,073
Bank and cash balances		1,342,360	1,188,255
		2,721,850	2,818,005

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	16	1,035,035	1,056,120
Contract liabilities		171,481	430,267
Accruals and other payables		211,957	133,667
Dividend payables		307,783	–
Provisions		208,195	68,541
Bank borrowings		54,500	37,500
Deferred income		10,873	8,398
Lease liabilities		7,027	9,118
Current tax liabilities		34,788	17,174
		2,041,639	1,760,785
Net current assets			
		680,211	1,057,220
Total assets less current liabilities			
		2,428,154	2,844,400
Non-current liabilities			
Deferred income		20,651	28,563
Lease liabilities		42,727	45,868
Bank borrowings		446,450	482,200
Deferred tax liabilities		22,071	38,424
		531,899	595,055
NET ASSETS			
		1,896,255	2,249,345
Capital and reserves			
Share capital	17	15,150	14,755
Reserves		1,881,105	2,234,590
TOTAL EQUITY			
		1,896,255	2,249,345

Approved by the Board of Directors on 25 August 2021

Wang Lishan
Chairman

Cao Yunsheng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Statutory reserves	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	14,755	1,733,618	(52,040)	2,951	(19,038)	60,992	40,275	369,480	2,150,993
Total comprehensive income for the period	-	-	-	-	18,096	-	-	25,363	43,459
Share-based payments	-	-	-	-	-	1,935	-	-	1,935
Changes in equity for the period	-	-	-	-	18,096	1,935	-	25,363	45,394
At 30 June 2020	14,755	1,733,618	(52,040)	2,951	(942)	62,927	40,275	394,843	2,196,387
At 1 January 2021	14,755	1,733,618	(52,040)	2,951	(72,422)	46,813	40,275	535,395	2,249,345
Total comprehensive income for the period	-	-	-	-	(7,919)	-	-	98,301	90,382
Share-based payments	-	-	-	-	-	43,500	-	-	43,500
Share options forfeited	-	-	-	-	-	(655)	-	655	-
Issued of shares on exercise of share options (note 17(a))	395	39,034	-	-	-	(13,688)	-	-	25,741
Special dividend paid (note 9)	-	(204,930)	-	-	-	-	-	-	(204,930)
Approval of year 2020 final dividend (note 9)	-	(307,783)	-	-	-	-	-	-	(307,783)
Changes in equity for the period	395	(473,679)	-	-	(7,919)	29,157	-	98,956	(353,090)
At 30 June 2021	15,150	1,259,939	(52,040)	2,951	(80,341)	75,970	40,275	634,351	1,896,255

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	363,012	511,025
Purchases of fixed assets	(42,046)	(58,897)
Proceeds from disposals of fixed assets	350	572
Government grants received	13,901	8,659
Decrease/(increase) in pledged bank deposits	23,438	(85,789)
Other investing cash flows (net)	7,244	4,525
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	2,887	(130,930)
Bank loans raised	–	148,000
Repayment of bank loans	(18,750)	(338,779)
Principal elements of lease payments	(6,271)	(8,623)
Proceeds from issue of shares on exercise of share options	25,741	–
Special dividend paid	(204,930)	–
NET CASH USED IN FINANCING ACTIVITIES	(204,210)	(199,402)
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,689	180,693
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,191,173	808,766
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(7,929)	18,106
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	1,344,933	1,007,565
Bank and cash balances	1,342,360	1,004,214
Pledged bank deposits (mature in three months or less)	2,573	3,351
	1,344,933	1,007,565

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

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

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group’s financial statements.

A number of new or amended standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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

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

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

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

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

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at	
	30 June 2021 using level 2 RMB'000	31 December 2020 using level 2 RMB'000
Recurring fair value measurements:		
Financial assets		
Derivatives		
Foreign currency forward	8,591	2,182

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

The Group has engaged external valuation expert with the professional qualifications and recent experience to perform the fair value measurement of foreign currency forward contracts outstanding at 30 June 2021 and 31 December 2020.

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			
Description	Valuation technique	Key inputs	30 June 2021 RMB'000		31 December 2020 RMB'000	
			Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	8,591	-	2,182	-

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Fabrication of facilities and provision of integrated services for oil and gas industries (“oil and gas segment”)
- Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries (“new energy and refinery and chemical segment”)

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

The Group’s other operating segment mainly represents provision of undersea maintenance services and technical support services for industries other than oil and gas and new energy and refinery and chemical sectors. These segments do not meet any of the quantitative thresholds for determining reportable segments. The information of these segments are included in the ‘others’ column.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

	Oil and gas segment RMB'000 (Unaudited)	New energy and refinery and chemical segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2021				
Revenue from external customers	1,484,698	546,147	11,297	2,042,142
Segment profit/(loss)	309,570	(46,185)	120	263,505
At 30 June 2021:				
Segment assets	2,042,127	848,898	22,039	2,913,064
Segment liabilities	1,414,159	254,337	7,926	1,676,422
Six months ended 30 June 2020				
Revenue from external customers	1,287,834	516	7,994	1,296,344
Segment profit/(loss)	179,091	(216)	(1,379)	177,496
At 31 December 2020:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,441,754	729,139	13,660	3,184,553
Segment liabilities	1,510,170	227,848	5,563	1,743,581

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	263,505	177,496
Unallocated amounts:		
Other income	25,862	16,281
Finance costs	(14,633)	(19,432)
Other corporate expenses	(150,085)	(137,062)
Consolidated profit before tax for the period	124,649	37,283

5. REVENUE

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. REVENUE (CONTINUED)

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

For the six months ended 30 June (unaudited)	Oil and gas segment		New energy and refinery and chemical segment		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	14,121	100,929	2,528	239	-	-	16,649	101,168
Goods and services transferred over time	1,470,577	1,186,905	543,619	277	11,297	7,994	2,025,493	1,195,176
Total	1,484,698	1,287,834	546,147	516	11,297	7,994	2,042,142	1,296,344

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade and bills receivables	579,261	722,838
Contract assets	230,958	455,282
Contract liabilities	171,481	430,267

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. REVENUE (CONTINUED)

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

The amount of approximately RMB424,193,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2021.

6. OTHER INCOME

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment		324	–
Interest income		4,567	5,388
Government grants recognised	(a)	9,914	10,621
Compensation income		1,526	–
Fair value gains on derivative financial instruments		9,086	–
Sundry income		445	272
		25,862	16,281

Note:

- (a) For the six months ended 30 June 2021, government grants of approximately RMB4,477,000 (30 June 2020: RMB6,500,000) are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Government grants of approximately RMB5,437,000 (30 June 2020: RMB4,121,000) are recognised in relation to certain research and development activities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net foreign exchange losses	4,585	6,557
Fair value loss on derivative financial instruments	–	3,368
Allowance for inventories	1,381	2,226
Impairment loss on property, plant and equipment	5,522	–
Others	251	1,366
	11,739	13,517

8. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank borrowings	11,437	16,119
Others	3,196	3,313
	14,633	19,432

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
2020 interim special dividend – HK\$0.15 per ordinary share	204,930	–

Final dividend in respect of the year ended 31 December 2020 of HK\$0.22 per shares is approved by the shareholders at the annual general meeting. The final dividend is payable on 23 July 2021.

No interim dividend was proposed for the six months ended 30 June 2021 and 2020.

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax Provision for the period	44,317	22,262
Over-provision in prior periods	(827)	(5)
Deferred tax	43,490 (17,142)	22,257 (10,337)
	26,348	11,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. INCOME TAX EXPENSE (CONTINUED)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the periods ended 30 June 2021 and 2020.

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

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

11. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Allowance for inventories	1,381	2,226
(Reversal of impairment losses)/impairment losses on trade and other receivables	(34,475)	26,673
Gain on disposals of property, plant and equipment	(324)	–
(Reversal of impairment losses)/impairment losses on contract assets	(504)	164
Impairment loss on property, plant and equipment	5,522	–
Directors' emoluments		
– As directors	180	180
– For management	6,237	3,215
– Share-based payments	1,008	570
	7,425	3,965

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	98,301	25,363
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	1,647,650,864	1,634,016,389
Effect of dilutive potential ordinary shares arising from share options	18,224,805	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	1,665,875,669	1,634,016,389

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

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

At 30 June 2020, the Company's outstanding share options had no dilutive effect as the exercise prices of those share options were higher than the average market price per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB42,046,000 (six months ended 30 June 2020: RMB58,897,000).

14. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group renewed an existing lease contract for use of properties and warehouse for 16 months. The Group makes fixed payments throughout the lease period. Upon commencement of this renewed lease, the Group recognised RMB1,048,000 of right-of-use asset and lease liability.

15. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	697,748	857,630
Allowance for doubtful debts	(119,381)	(153,854)
	578,367	703,776
Bills receivables	894	19,062
	579,261	722,838
Classified as:		
Trade receivables, non-current	6,002	1,592
Trade and bills receivables, current	573,259	721,246
	579,261	722,838

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group's trading terms with customers are mainly on credit. The credit terms other than retentions receivables generally range from 30 to 90 days. The credit terms for retentions receivables generally range from 12 to 24 months after completion of the respective construction and other services contracts. As at 30 June 2021, security deposit of RMB102,794,000 from a Company's shareholder has obtained by the Group against certain trade receivables balance of RMB102,794,000. No consideration was paid by the Group in return for this arrangement.

The aging analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Billed:		
0 to 30 days	310,464	399,622
31 to 90 days	27,808	23,548
91 to 365 days	33,683	59,730
Over 365 days	132,897	184,123
Unbilled	504,852	667,023
	192,896	190,607
	697,748	857,630

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	1,026,859	980,751
Bills payables	8,176	75,369
	1,035,035	1,056,120

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods and services, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	612,436	816,354
31 to 90 days	92,791	54,711
91 to 365 days	255,615	15,376
Over 365 days	66,017	94,310
	1,026,859	980,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	4,000,000,000	40,000

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

	Note	Number of shares	Amount HK\$'000	Equivalent to amount RMB'000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January 2020 (Audited) and 31 December 2020 (Audited)		1,634,016,389	16,341	14,755
Exercise of share options	(a)	47,290,000	472	395
At 30 June 2021 (Unaudited)		1,681,306,389	16,813	15,150

Note:

- (a) Share options were exercised by option holders during six months ended 30 June 2021 to subscribe for a total of 47,290,000 ordinary shares in the Company at total consideration of approximately HK\$30,819,000 (equivalent to approximately RMB25,741,000), of which approximately RMB395,000 was credited to share capital and the balance of approximately RMB25,346,000 was credited to the share premium account. Approximately RMB13,688,000 has been transferred from the share-based payment reserve to the share premium account.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. RELATED PARTY TRANSACTIONS

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

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue received/receivable from the subsidiaries of a shareholder		2,372	1,654
Revenue received/receivable from a shareholder		2,457	73,862
Payment on lease liabilities to a related company	(a)	941	–
Expense related to short term lease to a shareholder		18	–

Note:

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

19. SEASONALITY

The Group's revenue from the oil and gas industry and new energy and refining and chemical industries is subject to seasonal factors and the Group's financial results will be affected by the number and size of projects awarded to the Group through tendering process and the stage of completion of the respective projects. Therefore, the Group is unable to forecast the trend of seasonality and its impact to the Group's financial results.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property, plant and equipment – contracted but not provided for	9,674	19,636

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2021.

22. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2021.

Management Discussion and Analysis

1. REVIEWS

In the first half of 2021, the Penglai site and Zhuhai site of the Group had a full workload, representing a significant increase compared with the same period last year in general, and all on-site projects were stepping up.

The core module construction project of the North American GCGV natural gas chemical plant undertaken by the Penglai site was successfully completed and finally delivered in March this year. The GCGV project is a chemical plant with an annual output of 1.8 million tons of ethylene. It is also the first time in the industry that it has been designed and constructed in a modular manner. The Penglai site undertook the construction of a total of 40 core modules of the project in 2018, including the four largest cracking furnace modules in the world. During the period of more than two years from the start of site construction in early 2019 to the completion in early this year, faced with various challenges such as huge workload, tight schedule, concentrated delivery, design adjustments, and the impact of the epidemic, the project team planned closely, overcame difficulties, organized a team of more than 5,000 construction personnel, and successfully realized the project quality target. All ship deliveries were on time or ahead of schedule, achieving a total of 22.3 million safe working hours. The Penglai site has been highly recognised by the customer, and was thus awarded the “Best Site”, “Best Team” and “Excellent Completion” by the customer.

The Group’s Zhuhai site undertook the manufacturing of 50 sets of offshore wind power equipment for an European offshore wind farms in the middle of 2020. This is the first time that a Chinese company has undertaken such kind of project, and which must comply with European construction and quality standards. The Company overcame various difficulties and challenges in the construction process and successfully made the first delivery in mid-June 2021 in accordance with the customer’s requirements.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Currently, the Group's on-going projects in the Penglai and Zhuhai sites include the core module construction for the production line of Arctic LNG 2, the manufacturing of offshore wind power equipment, the fabrication of topside modules for FPSO and other offshore engineering projects. With parallel construction of various projects and their scale and complexity, a tough challenge is faced in terms of processing design, material supply, construction management, budget control, human resources and resources allocation.

With the recovery of the oil and gas industry and the development of technology, module projects intend to have larger size and weight, while our existing 5,000-tonne pier in the Zhuhai site is insufficient for large-scale module shipments demand. Therefore, a new pier is urgently needed in the Zhuhai site. In order to strengthen its future capacities for undertaking business and product shipment, in the first half of 2021, the Group initiated the Project of Pier Construction for Zhuhai Site (Phase II) and completed the preliminary feasibility report as well as the preparation of investment budget and construction plan which were subject to further approval. Meanwhile, we also built, rebuilt and upgraded certain other plants and production facilities.

During the period, the Group continued to optimize the construction of the management system, updated the operating guidance and passed the annual review of various qualifications and the necessary certificate certification, thereby consolidating and optimizing the health and safety and environmental protection management. The Group also carried out incentive activities for high-quality operations with the aim of achieving required standards within the first attempt to reduce costs caused by substandard quality and realizing the goal of zero-defect delivery.

As of 30 June 2021, the total backlog value of the Group was about RMB3 billion.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Revenue

In the first half of 2021, the Group recorded revenue of approximately RMB2,042,142,000, representing an increase of approximately RMB745,798,000 or approximately 57.53% as compared with corresponding period last year. Among others, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries amounted to approximately RMB1,484,698,000 representing an increase of approximately RMB196,864,000 or approximately 15.29% as compared with the corresponding period last year, which was mainly due to the revenue of the related business at the Penglai site increased as compared with the corresponding period last year. Revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries increasing by approximately 105,742% or approximately RMB545,631,000 as compared with the corresponding period last year, which was mainly due to the contribution from Offshore Wind Power Farm Project at the Zhuhai site. Other businesses mainly represent the provision of technical support services for shipbuilding industry. Although the revenue from such business increased by approximately 41.32% or approximately RMB3,303,000 as compared with the corresponding period last year, the workload of such business of the Group remains relatively low.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Revenue (Continued)

The table below sets out the analysis of revenue by business segment categories for the six months ended 30 June 2019, 2020 and 2021:

Product/service	For the six months ended 30 June					
	2021		2020		2019	
	RMB'000	Percentage of total revenue %	RMB'000	Percentage of total revenue %	RMB'000	Percentage of total revenue %
1. Fabrication of facilities and provision of integrated services for oil and gas industries	1,484,698	73	1,287,834	99	442,529	90
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	546,147	26	516	0	44,629	9
3. Others	11,297	1	7,994	1	5,510	1
Total	2,042,142	100	1,296,344	100	492,668	100

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB1,778,637,000, representing an increase of approximately RMB659,789,000 or approximately 58.97% when compared with that of the corresponding period of last year. It was mainly caused by the significant increase in workload on sites of the Group over the corresponding period of last year, contributing corresponding increase in cost and expense. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in current reporting period amounted to approximately RMB1,635,045,000 representing approximately 91.93% of total cost of sales and services, and an increase of approximately RMB656,570,000 or approximately 67.10% from approximately RMB978,475,000 of the corresponding period of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services also varies accordingly. Manufacturing overheads in the current reporting period is approximately RMB143,592,000, representing an increase of approximately RMB3,219,000 or approximately 2.29% when compared with approximately RMB140,373,000 of the corresponding period of last year.

Gross Profit

During the reporting period, the total amount of gross profit of the Group amounted to approximately RMB263,505,000, representing an increase of approximately RMB86,009,000 or 48.46% when compared with approximately RMB177,496,000 of the corresponding period of last year. The overall gross profit margin decreased to 12.90% from 13.69% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The decrease in the overall gross profit margin was mainly due to the lower gross margin was recorded for some projects that were undertaken in the first half of 2021, resulting in a lower overall gross margin as compared to that of the corresponding period of last year.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Gross Profit (Continued)

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2019, 2020 and 2021:

Product/service	For the six months ended 30 June								
	2021			2020			2019		
	Gross profit	Percentage of total gross profit		Gross profit	Percentage of total gross profit		Gross profit	Percentage of total gross profit	
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
1. Fabrication of facilities and provision of integrated services for oil and gas industries	309,570	21	117	179,091	14	101	78,319	18	89
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	(46,185)	(8)	(18)	(216)	(42)	0	9,043	20	10
3. Others	120	1	1	(1,379)	(17)	(1)	548	10	1
Total	263,505		100	177,496		100	87,910		100

Other income

Other income of the Group for the first half of 2021 amounted to approximately RMB25,862,000, mainly comprising interest income, gains from changes in fair value of forward foreign exchange settlement contracts and income from government grants.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by approximately 68% or approximately RMB74,839,000 compared with the corresponding period last year to approximately RMB185,064,000, primarily resulting from the increase in share based payment expenses recognised in the period and staff remuneration.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB14,633,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB11,437,000, bank charges and other costs of approximately RMB3,196,000.

Profit for the Period Attributable to Owners of the Company

In the first half year of 2021, profit attributable to owners of the Company amounted to approximately RMB98,301,000, which represented an increase of approximately 288% or RMB72,938,000 as compared to that of the corresponding period of last year. Basic earnings per share attributable to owners of the Company was approximately RMB5.966 cents.

Liquidity and Financial Resources

As at 30 June 2021, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB1,344,933,000 (31 December 2020: RMB1,191,173,000). During the said period, net cash inflows from operating activities amounted to approximately RMB363,012,000, net cash inflows from investing activities amounted to approximately RMB2,887,000, and net cash outflows from financing activities amounted to approximately RMB204,210,000.

As at 30 June 2021, the Group had available undrawn banking facilities of approximately RMB702,470,000 (31 December 2020: RMB570,620,000), which consists of bank loans, letters of credit, bank guarantees, etc.

As at 30 June 2021, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB730,909,000 (31 December 2020: RMB1,048,565,000).

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Structure

As at 30 June 2021, the share capital of the Company comprises 1,681,306,389 ordinary shares (31 December 2020: 1,634,016,389 ordinary shares).

As at 30 June 2021, net assets of the Group amounted to approximately RMB1,896,255,000 (31 December 2020: RMB2,249,345,000), which comprises non-current assets of approximately RMB1,747,943,000 (31 December 2020: RMB1,787,180,000), net current assets of approximately RMB680,211,000 (31 December 2020: RMB1,057,220,000) and non-current liabilities of approximately RMB531,899,000 (31 December 2020: RMB595,055,000).

Significant Investment

During the first half of the Year, according to the market situation and future development plan, the Group further improved the equipment and facilities at the Penglai site and the Zhuhai site, and will focus on increasing investment at the Zhuhai site to improve the equipment and facilities conditions in order to satisfy the needs of the undertaken projects in hand and potential projects.

Foreign Exchange Risk

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

Assets Pledged by the Group

As at 30 June 2021, approximately RMB112,291,000 (31 December 2020: RMB136,073,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Contingent Liabilities

As at 30 June 2021, the Group did not have other significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios of the Group as at 30 June 2021 and as at 31 December 2020 were as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Total bank borrowings	500,950	519,700
Total equity	1,896,255	2,249,345
Gearing ratio	26.42%	23.10%

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Management (Continued)

The increase in gearing ratio for the period resulted mainly from the decrease in total equity caused by payment of the special interim dividend and declaration of year 2020 final dividend during the period. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

Employees and Remuneration Policy

As at 30 June 2021, the Group had total 3,547 employees (31 December 2020: 3,568), of which 1,555 (31 December 2020: 1,625) were management and technical staff, and 1,992 (31 December 2020: 1,943) were technicians.

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

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

Management Discussion and Analysis

2. FUTURE OUTLOOK

Since the beginning of this year, international oil prices have risen steadily, and market demand in the oil and gas industry has rebounded, driving the recovery of offshore engineering markets such as FPSO construction. The market opportunities for the fabrication of topside modules for FPSO is expected to increase significantly. In the global transition to more clean energy development aiming at achieving the goal of carbon neutrality, the market for natural gas facilities and offshore wind power equipment is also expected to continue to maintain relatively strong demand. The Group will also maintain good and smooth communication with its customers, continue to track opportunities for large and medium-sized construction projects in the industry, and put marketing as its top priorities.

In the second half of the year, the Group will further improve the group management structure, optimize and deepen operation, organize efforts to coordinate the design, procurement, construction and other processes, propose improvement measures and programs on the challenges in its work, promote the optimization of resource allocation, control costs and expenses, and vigorously promote the implementation of existing projects.

In view of the future business development needs, the Group will promote the upgrading of the Zhuhai site to enhance its ability to undertake larger projects. At the same time, the Group will also seek and research new business opportunities, and increase its business scale through acquisitions and other methods.

Directors Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021.

USE OF THE RAISED PROCEEDS

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

Directors Report and Corporate Governance

USE OF THE RAISED PROCEEDS (CONTINUED)

The net proceeds from the Subscription was approximately HK\$962,000,000. As at 30 June 2021, the raised fund has been used as follows:

	Plan of use of proceeds from the Subscription as stipulated in the circular of the Company dated 11 May 2017	Use of proceeds from the Subscription ended 30 June 2021	Plan of use of the outstanding balance of the proceeds from the Subscription
1.	Approximately HK\$ 500 million for the working capital in engineering, procurement, installation and construction (“EPIC”) projects; and in built – transfer projects relating to the oil and gas equipment and facilities	All has been used as planned	–
2.	Approximately HK\$250 million for the capital expenditure in improving and expanding the production facilities and office facilities in the Group’s Zhuhai operation	Approximately HK\$166 million has been used for the capital expenditure in the production and office facilities of the Group’s Zhuhai fabrication yard (<i>Note a</i>)	The remaining approximately HK\$84 million will be kept for future capital expenditure in the production and office facilities in the Group’s Zhuhai operation as necessary. It is estimated that the outstanding balance of the proceeds will be utilised in year 2021 to year 2022
3.	Approximately HK\$212 million for the general working capital of the Group	All has been used as planned	–

Directors Report and Corporate Governance

USE OF THE RAISED PROCEEDS (CONTINUED)

Note:

- a. The use of the raised proceeds from the Subscription was slower than originally planned because of the poor market conditions in 2018 and 2019. During the said period, there were lower-than-expected orders and insufficient workload at the Zhuhai fabrication yard. Hence the Group took the initiative to slow down part of the investment in its Zhuhai fabrication yard. The Group will gradually implement the investment in the production and office facilities in accordance with the market conditions, actual business requirement of the yard and its long-term planning.

SHARE OPTION

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

The Company's 2006 share option scheme (the "2006 Share Option Scheme") was adopted on 28 August 2006 by way of passing resolutions by all of the then Shareholders of the Company with a valid period of 10 years commencing on the date on which the shares of the Company commenced trading on the main board of the Stock Exchange.

The General Scheme Limit of the 2006 Share Option Scheme has been refreshed and approved by Shareholders' resolution at the Company's Annual General Meeting held on 27 May 2009. Unless approval of the shareholders has been obtained the total number of shares which may be issued upon exercise of all options to be granted under the 2006 Share Option Scheme must not, in aggregate, exceed 49,800,000 shares, representing 10% of the shares (498,000,000 shares) in issue on the date of the said Annual General Meeting.

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

The General Scheme Limit of the 2006 Share Option Scheme has been further refreshed and approved by Shareholders' resolution at the Company's Annual General Meeting held on 25 May 2012. Unless approval of the shareholders has been obtained the total number of shares which may be issued upon exercise of all options to be granted under the 2006 Share Option Scheme must not, in aggregate, exceed 62,279,927 shares, representing 10% of the shares (622,799,278 shares) in issue on the date of the said Annual General Meeting.

The 2006 Share Option Scheme has expired on 20 September 2016, and a new share option scheme of the Company (the "2016 Share Option Scheme") has been adopted conditionally by Shareholder's resolution at the Company's Annual General Meeting held on 8 June 2016 with a valid period of 10 years commencing on the date of adoption. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other Share Option Schemes must not, in aggregate, exceed 80,035,427 shares, representing 10% of the shares (800,354,278 shares) in issue on the date of the said Annual General Meeting.

The General Scheme Limit of the 2016 Share Option Scheme has been refreshed and approved by Shareholders' resolution at the Company's Annual General Meeting held on 08 June 2018. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme must not, in aggregate, exceed 163,401,638 shares, representing 10% of the shares (1,634,016,389 shares) in issue on the date of the said Annual General Meeting and 9.72% of the shares (1,681,306,389 shares) in issue on the date of this interim report.

Unless approval of the shareholders has been obtained, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

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

According to the terms of the Share Option Schemes, the consideration for the grant of the options should be HK\$1.00. The options may be exercised in accordance with the terms of the Share Option Schemes at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

From 1 January 2011 to 30 June 2021, the Board approved to grant and the Company has granted options to Directors and other eligible participants. Details of the options granted are as follows:

(i) Options granted on 23 May 2011

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Director:										
Cao Yunsheng (resigned on 10 April 2020 and was re-appointed on 22 January 2021)	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	1,000,000	1.21	-	-	-	-
1 Employee	23/05/2013 to 22/05/2021	1.06	1.04	550,000	-	-	-	550,000	-	-
Total				1,550,000	1,000,000		-	550,000	-	-

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(ii) Options granted on 29 July 2015

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors:										
Wang Lishan	29/07/2017 to 28/07/2025	0.86	0.83	5,000,000	5,000,000	1.18	-	-	-	-
Cao Yunsheng (resigned on 10 April 2020 and was re-appointed on 22 January 2021)	29/07/2017 to 28/07/2025	0.86	0.83	8,000,000	8,000,000	1.21	-	-	-	-
Total				13,000,000	13,000,000		-	-	-	-

(iii) Options granted on 14 October 2016

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors:										
Wang Lishan	14/10/2018 to 13/10/2026	0.68	0.63	5,000,000	5,000,000	1.18	-	-	-	-
Cao Yunsheng (resigned on 10 April 2020 and was re-appointed on 22 January 2021)	14/10/2018 to 13/10/2026	0.68	0.63	8,000,000	8,000,000	1.51	-	-	-	-
Total				13,000,000	13,000,000		-	-	-	-

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(iv) Options granted in on 9 January 2018

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors:										
Wang Lishan	09/01/2019 to 08/01/2028	2.14	2.11	2,300,000	-	-	-	-	2,300,000	0.14%
Cao Yunsheng (resigned on 10 April 2020 and was re-appointed on 22 January 2021)	09/01/2019 to 08/01/2028	2.14	2.11	8,000,000	-	-	-	-	8,000,000	0.48%
Liu Yunian	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Su Yang	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Zheng Yimin	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Qi Daqing	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Tang Hui (resigned on 10 April 2020)	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
21 Employees	09/01/2019 to 08/01/2028	2.14	2.11	21,100,000	-	-	-	600,000	20,500,000	1.22%
Total				38,900,000	-	-	-	600,000	38,300,000	2.28%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(v) Options granted on 29 May 2019

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
<i>A service supplier:</i>										
Hong Kong Zhixin Financial News Agency Limited	29/08/2019 to 28/05/2022	1.04	0.75	15,000,000	-	-	-	-	15,000,000	0.89%
Total				15,000,000	-	-	-	-	15,000,000	0.89%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(vi) Options granted on 24 April 2020

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2021	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors:										
Cao Yunsheng (resigned on 10 April 2020 and was re-appointed on 22 January 2021)	01/04/2021 to 23/04/2026	0.48	0.465	2,000,000	1,160,000	1.21	-	-	840,000	0.05%
Li lin (resigned on 22 January 2021)	01/04/2021 to 23/04/2026	0.48	0.465	4,000,000	-	-	-	-	4,000,000	0.24%
Gao Zhiqiang	01/04/2021 to 23/04/2026	0.48	0.465	4,000,000	-	-	-	-	4,000,000	0.24%
Wang Ningsheng	01/04/2021 to 23/04/2026	0.48	0.465	5,000,000	-	-	-	-	5,000,000	0.30%
Liu Yunian	01/04/2021 to 23/04/2026	0.48	0.465	5,000,000	2,900,000	1.21	-	-	2,100,000	0.12%
Su Yang	01/04/2021 to 23/04/2026	0.48	0.465	2,000,000	1,160,000	1.30	-	-	840,000	0.05%
Zheng Yimin	01/04/2021 to 23/04/2026	0.48	0.465	2,000,000	1,160,000	1.30	-	-	840,000	0.05%
Qi Daqing	01/04/2021 to 23/04/2026	0.48	0.465	2,000,000	1,160,000	1.30	-	-	840,000	0.05%
7 Employees	01/04/2021 to 23/04/2026	0.48	0.465	22,000,000	12,750,000	1.27	-	-	9,250,000	0.55%
Total				48,000,000	20,290,000		-	-	27,710,000	1.65%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(vii) Options granted on 10 June 2021

Name of grantee	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options granted during the period	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2021	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
29 Employees	10/06/2021 to 09/06/2024	1.50	1.48	100,000,000	-	-	-	-	100,000,000	5.95%
Total				100,000,000	-	-	-	-	100,000,000	5.95%

The estimated fair value of the options on the date of grant is approximately HK\$49,291,000 (equivalent to RMB41,074,000). This estimated fair value was calculated using the Binomial Option-pricing model. The inputs into the model are as follows:

	2021
Number of share options granted	100,000,000
Grant date share price	HK\$1.43
Expected volatility	64.03%
Expected life	3 years
Risk free rate	0.25%
Expected dividend yield	1.39%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

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

Each option granted under the Share Option Schemes gives the holder the right to subscribe for one ordinary share of the Company. The price for granting the options is HK\$1. The exercise price determined by the Board is not less than the highest of:

- (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of the share of the Company at the time of exercise of an option.

Directors Report and Corporate Governance

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

At 30 June 2021, the interests and short positions of each Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571) ("SFO"), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Name of Directors	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L)	23.61%
	Beneficial owner	17,628,000 (L)	1.05%
	Share options	2,300,000 (L)	0.14%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	8,000,000 (L)	0.48%
	Beneficial owner	20,360,000 (L)	1.21%
	Share options	8,840,000 (L)	0.53%
Gao Zhiqiang	Share options	4,000,000 (L)	0.24%
Wang Ningsheng	Share options	5,000,000 (L)	0.30%
Liu Yunian	Beneficial owner	2,900,000 (L)	0.17%
	Share options	3,600,000 (L)	0.21%
Qi Daqing	Beneficial owner	2,710,000 (L)	0.16%
	Share options	2,340,000 (L)	0.14%
Su Yang	Beneficial owner	1,160,000 (L)	0.07%
	Share options	2,340,000 (L)	0.14%
Zheng Yimin	Beneficial owner	1,060,000 (L)	0.06%
	Share options	2,340,000 (L)	0.14%

Directors Report and Corporate Governance

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

Notes:

1. The letter "L" denotes a long position in the Shares.
2. These Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.
3. These Shares are held by Sino Joint International Limited, which is wholly-owned by Mr. Cao Yunsheng.

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

Directors Report and Corporate Governance

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

At 30 June 2021, in addition to those of the Directors and chief executives already disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of Part XV of the SFO shows that the Company had been notified of the following substantial shareholders' interests and/or short positions, being 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares (Note 1)	Percentage of shareholding
Sanju Environmental Protection (Hong Kong) Limited	Beneficial owner (Note 2)	641,566,556 (L)	38.16%
Beijing Sanju Environmental Protection & New Materials Co., Ltd. (北京三聚環保新材料股份有限公司)	Interest of a controlled corporation (Note 2)	641,566,556 (L)	38.16%
Cheung Hing Investments Limited	Beneficial owner (Note 3)	396,911,278 (L)	23.61%
Wang Lishan	Interest of a controlled corporation (Note 3)	396,911,278 (L)	23.61%
	Beneficial owner	17,628,000 (L)	1.05%
	Share options	2,300,000 (L)	0.14%
Capital Pilot Limited	Person having a security interest in shares (Note 4)	161,995,555 (L)	9.64%
Shiu Shu Ming	Interest of a controlled corporation (Note 4)	161,995,555 (L)	9.64%

Directors Report and Corporate Governance

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of Shareholder	Capacity	Number of Shares (Note 1)	Percentage of shareholding
Hong Man Chu	Interest of spouse (Note 5)	161,995,555 (L)	9.64%
		161,995,555 (S)	9.64%
Lo Chun Yim	Interest of a controlled corporation (Note 6)	161,995,555 (L)	9.64%
		161,995,555 (S)	9.64%
Golden Talent (HK) Technology Co., Limited	Beneficial Owner (Note 6)	161,995,555 (L)	9.64%
		161,995,555 (S)	9.64%

Notes:

- The letters "L" and "S" denote a long position and short position in the shares respectively.
- These shares are held by Sanju Environmental Protection (Hong Kong) Limited, which is wholly-owned by Beijing Sanju Environmental Protection & New Materials Co., Ltd. (北京三聚環保新材料股份有限公司).
- These shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.
- These shares are held by Capital Pilot Limited, which is wholly-owned by Mr. Shiu Shu Ming.
- Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim.
- These shares are held by Golden Talent (HK) Technology Co., Limited, which is beneficially and wholly-owned by Mr. Lo Chun Yim.

Directors Report and Corporate Governance

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the share options granted to the Directors under the share option scheme of the Company in previous years, at no time during the period, the Directors and chief executive (including their spouse and children under 18 years of age) had any other interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the Securities and Futures Ordinance (Cap.571) and the Hong Kong Companies Ordinance (Cap.622).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

CORPORATE GOVERNANCE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, the Company noticed that Mr. Zheng Yimin, an independent non-executive director of the Company, has sold a total of 550,000 shares of the Company on 29 June 2021 and 6 July 2021, but without first notifying the chairman and obtain confirmation prior to the sale. The Company has explained and informed Mr. Zheng Yimin of the relevant provisions of the Model Code.

Directors Report and Corporate Governance

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial information of the Company, monitor the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2021 and is of the opinion that such information has complied with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise. Details of the Directors' biographies were set out in the Company's 2020 Annual Report and the announcement dated 18 August 2021.

By Order of the Board
Jutal Offshore Oil Services Limited
Wang Lishan
Chairman

Hong Kong, 25 August 2021

Corporate Information

SHARE INFORMATION

Listing place : Main Board of
The Stock Exchange of
Hong Kong Limited

Stock code : 03303

Listing date : 21 September 2006

Stock name : Jutal Oil Ser

Issued shares : 1,681,306,389 ordinary
shares

Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
Mr. Liu Lei (*Deputy Chairman*)
Mr. Cao Yunsheng (*Chief Executive Officer*)
Mr. Gao Zhiqiang
Mr. Wang Ningsheng (*President*)
Mr. Liu Yunian

Independent non-executive directors

Mr. Su Yang
Mr. Qi Daqing
Mr. Zheng Yimin
Mr. Tam Kin Yip

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEADQUARTERS IN THE PRC

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

LEGAL ADVISORS

As to Hong Kong law:
Anthony Siu & Co., Solicitors & Notaries
1102-1103, 11th Floor,
No. 9 Queen's Road Central,
Hong Kong

As to PRC law:
Deheng Law Offices (Shenzhen)
11/F, Block B, Anlian Plaza,
4018 Jintian Road, Futian District,
Shenzhen, The PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor,
Lee Garden Two,
28 Yun Ping Road, Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

Investor Relations
Jutal Offshore Oil Services Limited
10th Floor, Chiwan Petroleum Building
Shekou, Nanshan District
Shenzhen, The PRC 518068
Tel : (86 755) 26850472
Fax : (86 755) 26694666
Email : xyj@jutal.com