

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

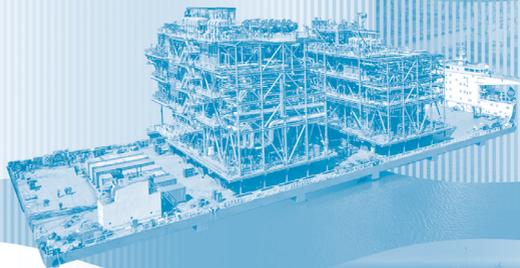
2023

INTERIM REPORT



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Financial Highlights

- Revenue was RMB823,527,000 a 29.40% decrease from the same period in last year.
- Gross profit was RMB194,337,000 a 1139.95% increase from the same period in last year.
- For the six months ended 30 June 2023, profit attributable to owners of the Company was RMB68,844,000;

For the six months ended 30 June 2022, loss attributable to owners of the Company was RMB140,750,000.

- Basic earnings per share was RMB3.474 cents for the six months ended 30 June 2023.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2023.

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 2023 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2022. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been reviewed by the audit committee of the Company (the “Audit Committee”), but was not reviewed by the Company’s auditor.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	823,527	1,166,518
Cost of sales and services		(629,190)	(1,150,845)
Gross profit		194,337	15,673
Other income	6	16,359	17,856
Administrative expenses (Impairment losses)/Reversal of impairment losses on trade and other receivables		(70,835)	(71,728)
Impairment losses on contract asset		(1,291)	3,789
Other operating expenses	7	(293)	(4,335)
		(33,767)	(63,495)
Profit/(Loss) from operations		104,510	(102,240)
Finance costs	8	(10,995)	(16,327)
Profit/(Loss) before tax		93,515	(118,567)
Income tax expense	10	(24,671)	(22,183)
Profit/(Loss) for the period attributable to owners of the Company	11	68,844	(140,750)
Earnings/(Loss) per share	12	RMB	RMB
Basic		3.474 CENTS	(8.371) CENTS
Diluted		3.474 CENTS	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(Loss) for the period	68,844	(140,750)
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	13,287	12,979
Other comprehensive income for the period, net of tax	13,287	12,979
Total comprehensive income/(expense) for the period attributable to owners of the Company	82,131	(127,771)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	974,662	1,036,027
Right-of-use assets	14	387,238	397,715
Goodwill		52,444	52,444
Intangible assets		8,196	9,118
Trade receivables, non-current	15	3,589	3,281
Deferred tax assets		58,868	59,319
		1,484,997	1,557,904
Current assets			
Inventories		113,765	122,152
Trade and bills receivables	15	302,389	264,023
Contract cost assets		12,782	10,091
Contract assets		248,146	365,608
Prepayments, deposits and other receivables		126,345	83,513
Derivative financial instruments		–	4,015
Current tax assets		33	6,426
Financial assets at fair value through profit or loss		59,300	57,454
Pledged bank deposits		101,057	97,799
Bank and cash balances		725,737	610,477
		1,689,554	1,621,558

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	16	493,606	495,283
Contract liabilities		164,082	128,220
Accruals and other payables		58,386	100,510
Derivative financial instruments		27,835	13,801
Provisions		67,553	131,917
Bank borrowings		176,100	205,000
Deferred income		6,824	6,824
Lease liabilities		7,222	8,399
Current tax liabilities		9,684	–
		1,011,292	1,089,954
Net current assets			
		678,262	531,604
Total assets less current liabilities			
		2,163,259	2,089,508
Non-current liabilities			
Deferred income		11,052	14,464
Lease liabilities		19,315	22,558
Bank borrowings		251,750	259,800
Deferred tax liabilities		51,764	45,439
		333,881	342,261
NET ASSETS			
		1,829,378	1,747,247
Capital and reserves			
Share capital	17	17,783	17,783
Reserves		1,811,595	1,729,464
TOTAL EQUITY			
		1,829,378	1,747,247

Approved by the Board of Directors on 24 August 2023

Wang Lishan
Chairman

Cao Yunsheng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 2022	15,150	1,259,939	(52,040)	2,951	(85,770)	77,888	40,275	547,074	1,805,467
Total comprehensive income for the period	-	-	-	-	12,979	-	-	(140,750)	(127,771)
Share options forfeited	-	-	-	-	-	(5,094)	-	3,724	(1,370)
Changes in equity for the period	-	-	-	-	12,979	(5,094)	-	(137,026)	(129,141)
At 30 June 2022 (Unaudited)	15,150	1,259,939	(52,040)	2,951	(72,791)	72,794	40,275	410,048	1,676,326
At 1 January 2023	17,783	1,379,936	(52,040)	2,951	(58,320)	69,291	40,275	347,371	1,747,247
Total comprehensive income for the period	-	-	-	-	13,287	-	-	68,844	82,131
Share options forfeited	-	-	-	-	-	(817)	-	817	-
Changes in equity for the period	-	-	-	-	13,287	(817)	-	69,661	82,131
At 30 June 2023	17,783	1,379,936	(52,040)	2,951	(45,033)	68,474	40,275	417,032	1,829,378

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	177,996	(166,976)
Interest received	3,886	3,085
Purchases of financial assets at fair value through profit or loss	–	(17,912)
Purchases of property, plant and equipment	(22,779)	(23,185)
Proceeds from disposals of property, plant and equipment	141	84
Government grants received	982	156
Decrease in pledged bank deposits	706	24,247
Net (payment)/receipt from settlement of derivative financial instruments	(11,724)	3,835
Net cash used in investing activities	(28,788)	(9,690)
Bank loans raised	30,500	295,500
Repayment of bank loans	(67,450)	(87,750)
Principal elements of lease payments	(4,452)	(5,002)
Net cash (used in)/generated from financing activities	(41,402)	202,748
Net increase in cash and cash equivalents	107,806	26,082
Cash and cash equivalents at beginning of period	610,477	666,970
Effect of foreign exchange rate changes	11,418	11,972
Cash and cash equivalents at end of period, represented by	729,701	705,024
Bank and cash balances	725,737	702,786
Pledged bank deposits (mature in three months or less)	3,964	2,238
	729,701	705,024

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the 2022 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 2022.

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

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2022. 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 2023 but they do not have a material effect on the Group’s condensed consolidated financial statements.

A number of new standards and amendments are effective for annual periods beginning after from 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 30 June 2023:

Description	Fair value measurement using		Total 30 June 2023 RMB'000
	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Unlisted private funds	-	59,300	59,300
Total	-	59,300	59,300
Financial liabilities			
Derivatives			
Foreign currency forward	27,835	-	27,835
Total	27,835	-	27,835

Disclosures of level in fair value hierarchy at 31 December 2022:

Description	Fair value measurement using		Total 31 December 2022 RMB'000
	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Unlisted private funds	-	57,454	57,454
Derivatives			
Foreign currency forward	4,015	-	4,015
Total	4,015	57,454	61,469
Financial liabilities			
Derivatives			
Foreign currency forward	13,801	-	13,801
Total	13,801	-	13,801

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on level 3

Unlisted private funds	Financial assets at fair value through profit or loss	
	2023 RMB'000	2022 RMB'000
At 1 January	57,454	–
Purchases	–	17,912
Total gains recognised in profit or loss (#)	–	1,173
Exchange difference	1,846	–
At 30 June	59,300	19,085
(#) Include gains for assets held at the end of reporting period	–	1,173

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

The Group's finance team is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance team reports to the management and Directors for these fair value measurements. Discussions of valuation processes and results are held between the finance team, management and the Directors at least twice a year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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 2023 and 31 December 2022.

The fair value of unlisted private funds are determined based on their net asset value, representing the fair value of the funds reported by respective fund managers.

The valuation techniques used and the key inputs to the level 2 and level 3 fair value measurements are set out below:

Level 2 fair value measurements			Fair value			
Description	Valuation technique	Key inputs	30 June 2023		31 December 2022	
			RMB'000		RMB'000	
			Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	-	27,835	4,015	13,801

Level 3 fair value measurements			Fair value	
Description	Valuation technique and unobservable inputs	Effect on fair value for increase of inputs	30 June 2023	31 December 2022
			RMB'000	RMB'000
			Assets	Assets
Unlisted private funds	Net asset value	Increase	59,300	57,454

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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, new energy and refinery and chemical sectors. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the ‘others’ column.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2023				
Revenue from external customers	677,016	141,016	5,495	823,527
Segment profit/(loss)	111,536	83,062	(261)	194,337
At 30 June 2023:				
Segment assets	1,985,576	97,733	85,609	2,168,918
Segment liabilities	750,566	52,117	7,912	810,595
Six months ended 30 June 2022				
Revenue from external customers	1,033,918	123,540	9,060	1,166,518
Segment profit/(loss)	139,919	(124,212)	(34)	15,673
At 31 December 2022:				
Segment assets	2,056,000	202,022	24,388	2,282,410
Segment liabilities	758,365	111,607	16,915	886,887

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	194,337	15,673
Unallocated amounts:		
Other income	16,359	17,856
Finance costs	(10,995)	(16,327)
Other corporate expenses	(106,186)	(135,769)
Consolidated profit/(loss) before tax for the period	93,515	(118,567)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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.

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	
	2023	2022	2023	2022	2023	2022	2023	2022
	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	23,041	28,321	-	955	673	-	23,714	29,276
Goods and services transferred over time	653,975	1,005,597	141,016	122,585	4,822	9,060	799,813	1,137,242
Total	677,016	1,033,918	141,016	123,540	5,495	9,060	823,527	1,166,518

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. REVENUE (CONTINUED)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade and bills receivables	305,978	267,304
Contract assets	248,146	365,608
Contract liabilities	164,082	128,220

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 RMB120,523,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net foreign exchange gains	3,526	4,966
Gain on disposals of property, plant and equipment	33	–
Interest income on bank deposits	3,886	3,085
Government grants recognised	4,394	5,927
Compensation income	160	546
Reversal of other receivable previously written off	–	3,000
Reversal of impairment losses on inventories	3,273	–
Sundry income	1,087	332
	16,359	17,856

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net losses on derivative financial instruments (note (a))	29,773	16,162
Impairment losses on inventories	–	514
Impairment losses on property, plant and equipment (note (b))	3,926	46,477
Others	68	342
	33,767	63,495

Notes:

- (a) The net loss of derivative financial instruments mainly comes from the foreign exchange forward contracts entered into between the Group and banks. As the individual income contracts of the company are settled in United States Dollars or Euros, the company entered into these forward contracts to hedge the exchange rate risk caused by the exchange rate fluctuation between these foreign currencies and RMB.
- (b) At 30 June 2023, before impairment testing, the Group has property, plant and equipment with carrying amount of approximately RMB326,374,000 (at 30 June 2022: RMB357,455,000) located and used in the Group's Zhuhai fabrication plant which is regarded as the cash generating unit of the related property, plant and equipment (the "CGU"). The Group has assessed there is an impairment indication of the CGU and estimates the recoverable amount of the CGU on the basis of their value in use using discounted cash flow method. The rate used to discount the forecast cash flows is 13.85% (for the six months ended 30 June 2022: 13.00%). For the six months ended 30 June 2023, an impairment loss of approximately RMB3,926,000 (for the six months ended 30 June 2022: RMB46,477,000) was recognised on fixed assets of the CGU.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank borrowings	10,084	13,232
Interest on lease liabilities	721	1,221
Others	190	1,874
	10,995	16,327

9. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2023 and 2022.

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax – The People's Republic of China (the "PRC") Enterprise Income Tax		
Provision for the period	17,895	14,080
Over provision in prior periods	–	(612)
	17,895	13,468
Deferred tax	6,776	8,715
	24,671	22,183

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2023 and 2022.

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/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Reversal of impairment losses)/Impairment losses on inventories	(3,273)	514
(Gain)/Loss on disposals of property, plant and equipment	(33)	296
Directors' emoluments		
– As directors	539	496
– For management	2,136	3,901
	2,675	4,397

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings/(Loss)		
Profit/(Loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation	68,844	(140,750)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,981,598,389	1,681,306,389
Effect of dilutive potential ordinary shares arising from share options	-	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	1,981,598,389	N/A

As the exercise of the Group's outstanding share options for the six months ended 30 June 2022 would be anti-dilutive, no diluted loss per share was presented for the six months ended 30 June 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB3,817,000 (six months ended 30 June 2022: RMB23,185,000).

14. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023 and 2022, the Group makes fixed payments throughout the lease period.

During the six months ended 30 June 2022, the Group entered into a new lease agreement for use of office for 3 years. On lease commencement, the Group recognised RMB1,783,000 of right-of-use asset and lease liability.

15. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	392,920	362,255
Allowance for doubtful debts	(96,239)	(94,951)
	296,681	267,304
Bills receivables	9,297	–
	305,978	267,304
Classified as:		
Trade receivables, non-current	3,589	3,281
Trade and bills receivables, current	302,389	264,023
	305,978	267,304

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by the directors.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Billed:		
0 to 30 days	126,548	192,218
31 to 90 days	59,913	37,414
91 to 365 days	46,730	13,790
Over 365 days	66,498	73,009
	299,689	316,431
Unbilled	93,231	45,824
	392,920	362,255

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. TRADE AND BILLS PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	447,458	467,727
Bills payables	46,148	27,556
	493,606	495,283

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0 to 30 days	268,465	153,648
31 to 90 days	36,511	68,314
91 to 365 days	46,442	152,886
Over 365 days	96,040	92,879
	447,458	467,727

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	4,000,000,000	40,000

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

	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 2022 (Audited)	1,681,306,389	16,813	15,150
Placement of shares	300,000,000	3,000	2,630
Exercise of share options	292,000	3	3
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	1,981,598,389	19,816	17,783

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Payment on lease liabilities to a related company (note)	941	941

Note: 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 2023

20. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Property, plant and equipment – contracted but not provided for	1,683	3,181

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2023.

Management Discussion and Analysis

1. REVIEWS

Since last year and up to the first half of this year, the Group has taken various management measures, including optimizing and streamlining the personnel and management structure, promoting independent technological innovation and research on processes, and promoting mechanism reform in various aspects and steps such as project material procurement, waste disposal, residual material management and usage of equipment. The management personnel at all levels overcame difficulties and pressure, and all staff were motivated to participate in the implementation of measures. Based on extensive research and specific analysis, the Group improved procedure, carried out digital and refined production management, enhanced collaborative office capabilities of various production departments, improved work efficiency, reduced production cost, improved profitability of projects, and made significant progress and achievements.

Since the beginning of this year, the country has relaxed its control measures on the epidemic, and the number of infected persons increased sharply in a short period. Besides, the implementation of projects also faced huge challenges brought by tight schedule and construction difficulties of certain projects, supply of materials and design modification and other factors. The Group overcame great difficulties, precisely organized manpower and various resources, optimized implementation plan of projects, accelerated construction progress, delivered various projects under construction in advance or on time, guaranteed the safety and quality control of those projects, and gained praises from its customers.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

At present, it's expected that the favorable market condition will create potential opportunities in international offshore engineering market. Nevertheless, affected by geopolitical tensions, some projects of the Group are still subject to many uncertainties. Meanwhile, the Group is also facing increasingly intense competition in the market.

Since this year, the Group has been making efforts to strengthen its market development. The marketing and business team of the Group formulated and implemented proper marketing strategies, closely coordinated to strive for opportunities, actively promoted in an innovative way, kept abreast with customer demand, carried out tough negotiation with customers and achieved outstanding performance. Up to the date of this report, the Group has been newly awarded contracts amounting to approximately RMB3 billion. These contracts are expected to be successively accomplished in this year and the next year.

Revenue

Compared with the corresponding period of last year, the Group's workload of the construction sites decreased significantly. In the first half of 2023, the Group recorded a revenue of approximately RMB823,527,000, representing a decrease of RMB342,991,000 or 29.40% as compared with the corresponding period of last year. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries decreased by RMB356,902,000 or 34.52%, revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries increased by RMB17,476,000 or 14.15%, and other revenue decreased by RMB3,565,000 or 39.35% as compared with the corresponding period of last year.

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 2021, 2022 and 2023:

Product/service	For the six months ended 30 June					
	2023		2022		2021	
	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	677,016	82	1,033,918	89	1,484,698	73
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	141,016	17	123,540	10	546,147	26
3. Others	5,495	1	9,060	1	11,297	1
Total	823,527	100	1,166,518	100	2,042,142	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 RMB629,190,000, representing a decrease of approximately RMB521,655,000 or 45.33% compared with that of the corresponding period of last year, mainly due to the significant decrease in revenue of the Group compared with the corresponding period of last year and the improvement of project management as well as strict cost control. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB517,948,000 representing approximately 82.32% of total cost of sales and services, and a decrease of approximately RMB478,570,000 or 48.02% from approximately RMB996,518,000 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 RMB111,242,000, representing a decrease of approximately RMB43,085,000 or 27.92% when compared with approximately RMB154,327,000 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 RMB194,337,000, representing an increase of approximately RMB178,664,000 or 1,139.95% from approximately RMB15,673,000 in the corresponding period of last year. The overall gross profit margin increased to 23.60% from 1.34% 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 substantial increase in the overall gross profit margin was mainly due to that the Group's Zhuhai site incurred large losses in the first half of last year due to some large-scale projects undertaken in the past, while the loss in the first half of this year decreased significantly. In addition, the Group improved project management and strictly controlled costs. In the first half of this year, the gross profit margin of projects increased significantly, and project revenue increased.

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 2021, 2022 and 2023:

Product/service	For the six months ended 30 June								
	2023			2022			2021		
	Gross profit	Percentage of total		Gross profit	Percentage of total		Gross profit	Percentage of total	
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
1. Fabrication of facilities and provision of integrated services for oil and gas industries	111,536	16	57	139,919	14	893	309,570	21	117
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	83,062	59	43	(124,212)	(101)	(793)	(46,185)	(8)	(18)
3. Others	(261)	(5)	0	(34)	0	0	120	1	1
Total	194,337		100	15,673		100	263,505		100

Other Income

Other income of the Group for the first half of 2023 amounted to approximately RMB16,359,000, mainly comprising interest income, exchange gain and income from government grants.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Administrative and Other Operating Expenses

Administrative and other operating expenses in aggregate decreased by approximately 22.64% or RMB30,621,000 compared with the corresponding period last year to approximately RMB104,602,000. Among them, the administrative expenses decreased by RMB893,000 and other operating expenses decreased by RMB29,728,000 as compared with the corresponding period of last year, mainly due to that the impairment loss of assets recognized in this period was significantly decreased compared with the corresponding period of last year.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB10,995,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB10,084,000, interest on lease liabilities and other costs of approximately RMB911,000.

Profit for the Period Attributable to Owners of the Company

In the first half year of 2023, profit attributable to owners of the Company amounted to approximately RMB68,844,000, basic earnings per share was approximately RMB3.474 cents.

Liquidity and Financial Resources

As at 30 June 2023, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB729,701,000 (31 December 2022: RMB610,477,000). During the said period, net cash inflows from operating activities amounted to approximately RMB177,996,000, net cash outflows from investing activities amounted to approximately RMB28,788,000, and net cash outflows from financing activities amounted to approximately RMB41,402,000.

As at 30 June 2023, the Group had available undrawn banking facilities of approximately RMB407,702,000 (31 December 2022: RMB385,140,000), which consists of bank loans, letters of credit, etc, but exclude bank guarantees.

As at 30 June 2023, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB326,768,000 (31 December 2022: RMB419,276,000).

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Structure

As at 30 June 2023, the share capital of the Company comprises 1,981,598,389 ordinary shares (31 December 2022: 1,981,598,389 ordinary shares).

As at 30 June 2023, the net assets of the Group amounted to approximately RMB1,829,378,000 (31 December 2022: RMB1,747,247,000), which comprises non-current assets of approximately RMB1,484,997,000 (31 December 2022: RMB1,557,904,000), net current assets of approximately RMB678,262,000 (31 December 2022: RMB531,604,000) and non-current liabilities of approximately RMB333,881,000 (31 December 2022: RMB342,261,000).

Significant Investment

During the first half year ended 30 June 2023, the Group did not have any significant investment.

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 2023, approximately RMB101,057,000 (31 December 2022: RMB97,799,000) 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 2023, the Group did not have any significant contingent liabilities.

Capital Management

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustment to it in 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 and lease liabilities divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

The gearing ratios of the Group as at 30 June 2023 and as at 31 December 2022 were as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
Total bank borrowings	427,850	464,800
Lease liabilities	26,537	30,957
Total equity	1,829,378	1,747,247
Gearing ratio	24.84%	28.37%

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Management (Continued)

The decrease in gearing ratio in the reporting period was mainly due to the increase in total equity as a result of profit generated in the first half of 2023 and the decrease in total bank loans and lease liabilities. 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 2023, the Group had total 2,318 employees (31 December 2022: 2,739), of which 988 (31 December 2022: 1,204) were management and technical staff, and 1,330 (31 December 2022: 1,535) 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

In order to achieve the goal of long-term growth, the Group will keep an eye on the global energy market pattern, make every effort to promote and implement its major strategy of transformation from traditional manufacture to modularized EPC, study and promote new energy businesses including offshore wind power, create new business growth point, and develop comprehensive energy service capabilities in multiple systems and fields.

The Group will promote the establishment of a company management mode with project management as the core, accelerate its transformation from traditional management to digital management, continuously carry out strategic innovation, and improve strategic execution capabilities of the team. The Group will introduce new and competitive resources to carry out reformation on processes, equipment improvement, technological innovation and efficiency promotion.

In order to follow the development trends of various projects in the future and capture the valued development opportunities in the market, the Company will focus on its core market and products, enhance its core competitiveness, and actively explore market. In the second half of the year, the Group reorganized its market development team, established dedicated teams for the markets in different areas in the world, took advantage of various forms and channels to deeply study, explore and identify potential customer demand in the future, and carried out effective market development activities. Moreover, the Group will also establish a dedicated design team, develop detailed design business, promote the value of construction business, enhance competitiveness of the Company, and improve the general contracting ability of the business.



Management Discussion and Analysis

2. FUTURE OUTLOOK (CONTINUED)

The Group will upgrade and renew Penglai construction site and facilities to improve the efficiency and capacity of various large module final assembly and wind power equipment assembly, in order to better cope with the construction needs of large module and offshore wind power equipment. Upon the completion of site renovation, the Group can save costs as compared with current operation mode, substantially reduce the dust pollution of the site, and better comply with environmental protection requirements on site construction.

Depending on the needs of future business development, the Group will also actively seek new business opportunities, study business restructuring, and explore new businesses through various ways, including acquisition, cooperation, etc.

Directors Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023.

USE OF THE RAISED PROCEEDS

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

The net proceeds from the Subscription was approximately HK\$962,000,000. As at 30 June 2023, 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 2023	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	–

Directors Report and Corporate Governance

USE OF THE RAISED PROCEEDS (CONTINUED)

(i) (Continued)

	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 2023	Plan of use of the outstanding balance of the proceeds from the Subscription
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\$2 million was used during the reporting period, and the aggregate amount used for the capital expenditure in the production and office facilities of the Group's Zhuhai fabrication yard became HK\$196 million (<i>Note a</i>)	The remaining approximately HK\$54 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 2023 to year 2025
3.	Approximately HK\$212 million for the general working capital of the Group	All has been used as planned	–

Note:

- a. Due to the poor market conditions in 2018, 2019, 2021 and 2022 as there were lower-than-expected orders and insufficient workload and even the occurrence of project losses at the Zhuhai fabrication site, the Group took the initiative to slow down part of the investment in its Zhuhai site. 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.

Directors Report and Corporate Governance

USE OF THE RAISED PROCEEDS (CONTINUED)

- (ii) On 7 September 2022, First Shanghai Securities Limited (the “Placing Agent”) and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to a maximum of 300,000,000 new shares of the Company, to be allotted and issued by the Company under the general mandate granted to the Directors at the annual general meeting of the Company on 27 May 2022 (the “Placing Shares”), to not less than six placees (professional, institutional and other investor(s) procured by the Placing Agent who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons) at the placing price of HK\$0.48 per Placing Share (the net placing price is approximately HK\$0.46 per Placing Share, and the close price of the share on 7 September 2022 was HK\$0.58) (the “Placing”). The Placing has completed on 22 September 2022.

The net proceeds from the Placing were approximately HK\$138,866,500. As at 30 June 2023, the raised fund has been used as follows:

Plan of use of proceeds from the Placing as stipulated in the circular of the Company dated 7 September 2022	Use of proceeds from the Placing as at 30 June 2023	Plan of use of the outstanding balance of the proceeds from the Placing
1. Approximately HK\$100,000,000 for upgrading and renovating the Penglai site, including upgrading the equipment and facilities at the site	Has not been used during the reporting period.	Expect to be used in year 2023 to 2024
2. Approximately HK\$38,866,500 for the general working capital of the Group	Approximately HK\$14million was used during the reporting period, and the aggregate amount used for the general working capital of the Group became approximately HK\$20 million	The remaining approximately HK\$18,866,500 will be used in year 2023

Directors Report and Corporate Governance

SHARE OPTION

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

The Company's existing share option scheme ("Share Option Scheme") was adopted by Shareholder's resolution at the Company's annual general meeting held on 8 June 2016 with a valid period of 10 years commencing on the date of adoption. The remaining life of the Share Option Scheme is approximately 2 years and 9 months as at the date of this report. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 80,035,427 shares, representing 10% of the shares (800,354,278 shares) in issue on the date of the said Annual General Meeting.

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

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

The general scheme limit of the Share Option Scheme has been further refreshed and approved by Shareholder's resolution at the Company's annual general meeting held on 27 May 2022. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 168,130,638 shares, representing 10% of the shares (1,681,306,389 Shares) in issue on the date of the said annual general meeting and approximately 8.48% of the shares (1,981,598,389 shares) on the date of this interim report.

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

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

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

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

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

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

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

From 1 January 2018 to 30 June 2023, the Board approved to grant and the Company has granted options to Directors and other eligible participants. Details of the options granted are as follows:

(i) Options granted in 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 2023	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 2023	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	0.12%
Cao Yunsheng	09/01/2019 to 08/01/2028	2.14	2.11	8,000,000	-	-	-	-	8,000,000	0.40%
Liu Yunian	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.08%
22 Employees	09/01/2019 to 08/01/2028	2.14	2.11	22,000,000	-	-	-	-	22,000,000	1.11%
Total				33,800,000	-	-	-	-	33,800,000	1.71%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(ii) 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 2023	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 2023	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors										
Cao Yunsheng	01/04/2021 to 23/04/2026	0.48	0.465	146,000	-	-	-	-	146,000	0.01%
Liu Yunian	01/04/2021 to 23/04/2026	0.48	0.465	365,000	-	-	-	-	365,000	0.02%
Board Consultant										
Li Lin	01/04/2021 to 23/04/2026	0.48	0.465	2,612,000	-	-	-	-	2,612,000	0.13%
7 Employees	01/04/2021 to 23/04/2026	0.48	0.465	1,616,000	-	-	-	-	1,616,000	0.08%
Total				4,739,000	-	-	-	-	4,739,000	0.24%

Directors Report and Corporate Governance

SHARE OPTION (CONTINUED)

(iii) 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 as at 1 January 2023	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 2023	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
28 Employees	10/06/2021 to 09/06/2024	1.50	1.48	98,000,000	-	-	-	2,000,000	96,000,000	4.84%
Total				98,000,000	-	-	-	2,000,000	96,000,000	4.84%

The number of options available for grant under the Share Option Scheme at the 1 January 2023 and 30 June 2023 are 168,130,638.

The number of shares that may be issued in respect of option granted under all schemes of the Company during the period	The weighted average number of shares in issue of the Company for the period	Percentage
134,539,000	1,981,598,389	6.79%

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 2023, 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, were as follows:

Name of Directors	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation <i>(Note 2)</i>	396,911,278 (L)	20.03%
	Beneficial owner	17,628,000 (L)	0.89%
	Share options	2,300,000 (L)	0.12%
Cao Yunsheng	Interest of a controlled corporation <i>(Note 3)</i>	8,000,000 (L)	0.40%
	Beneficial owner	20,360,000 (L)	1.03%
	Share options	8,146,000 (L)	0.41%
Liu Yunian	Beneficial owner	2,900,000 (L)	0.15%
	Share options	1,865,000 (L)	0.09%
Han Guimao	Interest of spouse	4,188,000 (L)	0.21%

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.

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

At 30 June 2023, 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)	32.38%

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
Beijing Haixin Energy Technology Co., Ltd. (北京海新能源科技股份有限公司)	Interest of a controlled corporation (Note 2)	641,566,556 (L)	32.38%
Cheung Hing Investments Limited	Beneficial owner (Note 3)	396,911,278 (L)	20.03%
Wang Lishan	Interest of a controlled corporation (Note 3)	396,911,278 (L)	20.03%
	Beneficial owner	17,628,000 (L)	0.89%
	Share options	2,300,000 (L)	0.12%
Capital Pilot Limited	Person having a security interest in shares (Note 4)	161,995,555 (L)	8.17%
Shiu Shu Ming	Interest of a controlled corporation (Note 4)	161,995,555 (L)	8.17%
Hong Man Chu	Interest of spouse (Note 5)	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%
Lo Chun Yim	Interest of a controlled corporation (Note 6)	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%
Golden Talent (HK) Technology Co., Limited	Beneficial Owner (Note 6)	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%

Directors Report and Corporate Governance

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

Notes:

1. The letters "L" and "S" denote a long position and short position in the shares respectively.
2. These shares are held by Sanju Environmental Protection (Hong Kong) Limited, which is wholly-owned by Beijing Haixin Energy Technology Co., Ltd. (北京海新能源科技股份有限公司).
3. These shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.
4. These shares are held by Capital Pilot Limited, which is wholly-owned by Mr. Shiu Shu Ming.
5. Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim.
6. These shares are held by Golden Talent (HK) Technology Co., Limited, which is beneficially and wholly-owned by Mr. Lo Chun Yim.

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 SFO and the Hong Kong Companies Ordinance (Cap. 622).

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

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

Directors Report and Corporate Governance

CORPORATE GOVERNANCE

The Company had adopted the Corporate Governance Code (the “Corporate Governance Code”) 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 Corporate Governance Code for the period ended 30 June 2023, save for the deviations from the code provisions as follows:

Under Code Provision D.1.2, Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail.

The Company provides the board member, Mr. Cao Yunsheng, with monthly internal financial statements, instead of all board members, because he is responsible for overseeing the financial affairs of the Company. The remaining Directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code is to enhance the Company’s efficiency. Directors also received reports from the management on the operation and financial position of the Company at relevant board meetings.

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 Directors have complied with the required standard set out in the Model Code regarding Directors’ securities transactions in the reporting period.

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 three independent non-executive Directors and one non-executive Director. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2023 with no disagreement and is of the opinion that such information complies with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 24 August 2023



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 : 1,981,598,389 ordinary
shares

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

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
Mr. Cao Yunsheng (*CEO and President*)
Mr. Liu Yunian

Non-executive director

Mr. Han Guimao

Independent non-executive directors

Ms. Choy So Yuk, *BBS, JP*
Mr. Tam Kin Yip
Mr. Cheung Ngar Tat Eddie

COMPANY REPRESENTATIVE

Mr. Cao Yunsheng
Ms. Leung Fung Yee Alice

COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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Cayman Islands

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AUDITOR

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Certified Public Accountants
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