

# 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)



INTERIM REPORT 2017

---

## 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 FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	28
DIRECTORS REPORT AND CORPORATE GOVERNANCE	40
CORPORATE INFORMATION	52



## Financial Highlights

- Turnover was RMB184,224,000, a 49.82% decrease from the same period last year.
- Gross profit was RMB15,835,000, a 68.60% decrease from the same period last year.
- Profit attributable to owners of the Company was RMB513,000.
- Basic earnings per share was RMB0.055 cents for the six months ended 30 June 2017.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2017.

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 2017 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2016. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 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 2017 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 27 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2017 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*

Hong Kong

18 August 2017

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Turnover</b>		<b>184,224</b>	367,122
Cost of sales and service		<b>(168,389)</b>	(316,698)
<b>Gross profit</b>		<b>15,835</b>	50,424
Other income	5	<b>11,946</b>	6,010
Administrative expenses		<b>(51,666)</b>	(59,444)
Other operating expenses		<b>(1,646)</b>	(5,594)
<b>Loss from operations</b>		<b>(25,531)</b>	(8,604)
Finance costs	6	<b>(4,190)</b>	(4,318)
Share of profits of an associate		<b>32,034</b>	10,873
<b>Profit/(loss) before tax</b>		<b>2,313</b>	(2,049)
Income tax (expense)/credit	7	<b>(1,800)</b>	1,103
<b>Profit/(loss) for the period attributable to owners of the Company</b>	8	<b>513</b>	(946)
<b>Earnings/(loss) per share</b>	10	<b>RMB</b>	RMB
Basic		<b>0.055 CENTS</b>	(0.12 CENTS)
Diluted		<b>0.054 CENTS</b>	(0.12 CENTS)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Profit/(loss) for the period</b>	<b>513</b>	<b>(946)</b>
<b>Other comprehensive income:</b>		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(6,673)	4,893
<b>Other comprehensive income for the period, net of tax</b>	<b>(6,673)</b>	<b>4,893</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>(6,160)</b>	<b>3,947</b>

## Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	514,862	528,970
Prepaid land lease payments		385	417
Goodwill		197,830	202,327
Intangible assets		3,245	2,974
Investment in an associate		369,828	337,794
Deferred tax assets		119	282
		<b>1,086,269</b>	<b>1,072,764</b>
<b>Current assets</b>			
Inventories		22,103	24,392
Trade and bills receivables	12	174,489	214,774
Gross amount due from customers for contract work		150,584	186,820
Prepayments, deposits and other receivables		63,630	49,420
Derivative financial instruments		-	176
Due from directors		2,264	2,710
Current tax assets		1,086	1,086
Pledged bank deposits		17,927	43,527
Bank and cash balances		942,789	100,535
		<b>1,374,872</b>	<b>623,440</b>



## Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Current liabilities</b>			
Trade and bills payables	13	164,433	175,125
Gross amount due to customers for contract work		13,529	15,469
Accruals and other payables		37,824	49,490
Warranty provisions		1,866	1,866
Bank borrowings		127,784	213,628
Current tax liabilities		1,910	33
		<b>347,346</b>	<b>455,611</b>
<b>Net current assets</b>			
		<b>1,027,526</b>	<b>167,829</b>
<b>Total assets less current liabilities</b>			
		<b>2,113,795</b>	<b>1,240,593</b>
<b>Non-current liabilities</b>			
Deferred revenue		23,550	24,629
Deferred tax liabilities		34,336	35,422
		<b>57,886</b>	<b>60,051</b>
<b>NET ASSETS</b>			
		<b>2,055,909</b>	<b>1,180,542</b>
<b>Capital and reserves</b>			
Share capital	14	14,717	7,506
Reserves		2,041,192	1,173,036
<b>TOTAL EQUITY</b>			
		<b>2,055,909</b>	<b>1,180,542</b>

Approved by the Board of Directors on 18 August 2017

Chairman

Director

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company (Unaudited)										
	Share capital RMB'000	Share premium account RMB'000	Special reserve RMB'000	Convertible loan notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Warrants reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2016	7,506	851,263	(52,040)	2,951	(49,729)	5,525	160	38,642	346,494	6,723	1,157,495
Total comprehensive income for the period	-	-	-	-	4,893	-	-	-	(946)	-	3,947
Share-based payments	-	-	-	-	-	1,084	-	-	-	-	1,084
Approval of year 2015 final dividend	-	-	-	-	-	-	-	-	-	(6,723)	(6,723)
Changes in equity for the period	-	-	-	-	4,893	1,084	-	-	(946)	(6,723)	(1,692)
At 30 June 2016	7,506	851,263	(52,040)	2,951	(44,836)	6,609	160	38,642	345,548	-	1,155,803
At 1 January 2017	7,506	851,263	(52,040)	2,951	(33,930)	7,859	160	39,599	357,174	-	1,180,542
Total comprehensive income for the period	-	-	-	-	(6,673)	-	-	-	513	-	(6,160)
Share-based payments	-	-	-	-	-	1,977	-	-	-	-	1,977
Share options forfeited	-	-	-	-	-	(442)	-	-	442	-	-
Issue of shares on exercise of share options (note 14(b))	56	9,143	-	-	-	(2,021)	-	-	-	-	7,178
Issue of shares on subscription (note 14(c))	6,990	830,669	-	-	-	-	-	-	-	-	837,659
Issue of shares on exercise of warrants (note 14(d))	165	34,700	-	-	-	-	(152)	-	-	-	34,713
Changes in equity for the period	7,211	874,512	-	-	(6,673)	(486)	(152)	-	955	-	875,367
At 30 June 2017	14,717	1,725,775	(52,040)	2,951	(40,603)	7,373	8	39,599	358,129	-	2,055,909

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES</b>		<b>16,361</b>	<b>(17,007)</b>
Purchases of property, plant and equipment		(1,336)	(23,369)
Government grant received		9,978	2,800
Decrease in pledged bank deposits		7,581	913
Other investing cash flows (net)		121	(304)
<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES</b>		<b>16,344</b>	<b>(19,960)</b>
Bank loans raised		86,800	163,473
Repayment of bank loans		(172,644)	(99,008)
Proceeds from issue of shares on exercise of share options		7,178	–
Proceeds from issue of shares on subscription		837,659	–
Proceeds from issue of shares on exercise of warrants		34,713	–
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>793,706</b>	<b>64,465</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>826,411</b>	<b>27,498</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>122,280</b>	<b>74,641</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(2,176)</b>	<b>390</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>		<b>946,515</b>	<b>102,529</b>
Bank and cash balances		942,789	70,652
Pledged bank deposits (mature in three months or less)		3,726	31,877
		<b>946,515</b>	<b>102,529</b>

---

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed financial statements.

### 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:

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 3. FAIR VALUE MEASUREMENTS (Continued)

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.

#### (a) Disclosures of level in fair value hierarchy at 30 June 2017:

Description	Fair value measurements as at	
	30 June 2017 using level 2 RMB'000	31 December 2016 using level 2 RMB'000
<b>Recurring fair value measurements: Financial assets</b>		
Derivatives		
Foreign currency forward	-	176
<b>Recurring fair value measurements: Financial liabilities</b>		
Derivatives		
Foreign currency forward	-	-

As at 30 June 2017, the Group has no outstanding foreign currency forward contracts.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 3. FAIR VALUE MEASUREMENTS (Continued)

(b) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016:**

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 31 December 2016.

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 2017		31 December 2016	
			RMB'000		RMB'000	
			Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	-	-	176	-

### 4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Provision of technical support and related services for oil and gas industry and sales of related equipment and materials.
- Fabrication of oil and gas facilities and oil and gas processing skid equipment.
- Provision of technical support services for shipbuilding industry.

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

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (Continued)

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

	Provision of technical support and related services for oil and gas industry and sales of related equipment and materials RMB'000 (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000 (Unaudited)	Provision of technical support services for shipbuilding industry RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Six months ended 30 June 2017</b>					
Revenue from external customers	27,027	144,652	8,786	3,759	184,224
Segment profit/(loss)	1,418	14,505	(175)	87	15,835
<b>At 30 June 2017:</b>					
Segment assets	40,468	827,768	19,349	9,322	896,907
Segment liabilities	31,445	164,947	4,087	1,722	202,201
<b>Six months ended 30 June 2016</b>					
Revenue from external customers	33,753	320,930	12,439	-	367,122
Segment profit	1,744	48,648	32	-	50,424
At 31 December 2016:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	45,186	900,761	15,310	7,562	968,819
Segment liabilities	31,142	185,606	3,873	1,723	222,344

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	15,835	50,424
Unallocated amounts:		
Other income	11,946	6,010
Finance costs	(4,190)	(4,318)
Other corporate expenses	(53,312)	(65,038)
Share of profits of an associate	32,034	10,873
Consolidated profit/(loss) before tax for the period	2,313	(2,049)



## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 5. OTHER INCOME

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment	5	24
Interest income	611	188
Net foreign exchange gains	1,586	3,378
Government grant recognised	9,181	2,413
Sundry income	563	7
	<b>11,946</b>	<b>6,010</b>

### 6. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank loans	3,568	3,886
Others	622	432
	<b>4,190</b>	<b>4,318</b>

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax Provision for the period	(2,505)	(50)
Under provision in prior periods	(218)	(552)
	(2,723)	(602)
Deferred tax	923	1,705
	(1,800)	1,103

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 2017 and 2016.

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.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Allowance for inventories	1,467	448
Allowance for trade and other receivables	975	1,918
Fair value (gains)/losses on derivative financial instruments	(238)	2,431
Directors' emoluments		
– As directors	187	180
– For management	2,271	2,253
– Share-based payments	1,977	1,084
	4,435	3,517

### 9. DIVIDENDS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Final dividend for the year ended 31 December 2015 approved – HK\$0.01 per ordinary share	–	6,723

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	<b>513</b>	(946)
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings/(loss) per share calculation	<b>935,411,191</b>	800,354,278
Effect of dilutive potential ordinary shares arising from share options	<b>17,554,060</b>	–
Weighted average number of ordinary shares used in diluted earnings/(loss) per share calculation	<b>952,965,251</b>	800,354,278

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB1,336,000 (six months ended 30 June 2016: RMB23,369,000).

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables	<b>174,373</b>	211,030
Allowance for doubtful debts	<b>(8,129)</b>	(7,510)
	<b>166,244</b>	203,520
Bills receivables	<b>8,245</b>	11,254
	<b>174,489</b>	214,774

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
0 to 30 days	<b>42,774</b>	80,655
31 to 90 days	<b>40,422</b>	47,481
91 to 365 days	<b>66,121</b>	50,121
Over 365 days	<b>16,927</b>	25,263
	<b>166,244</b>	203,520

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 13. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	148,390	175,125
Bills payables	16,043	–
	<b>164,433</b>	175,125

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 to 30 days	48,520	63,842
31 to 90 days	13,676	39,708
91 to 365 days	58,648	57,991
Over 365 days	27,546	13,584
	<b>148,390</b>	175,125

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 14. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At 31 December 2016 (Audited)		1,500,000,000	15,000
Creation of additional ordinary shares	(a)	2,500,000,000	25,000
<hr/>			
At 30 June 2017 (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 2016 and 31 December 2016 (Audited)		800,354,278	8,004	7,506
Exercise of share options	(b)	6,400,000	64	56
Issue of shares on subscription	(c)	803,562,111	8,036	6,990
Exercise of warrants	(d)	19,000,000	190	165
<hr/>				
At 30 June 2017 (Unaudited)		1,629,316,389	16,294	14,717

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 14. SHARE CAPITAL (Continued)

Note:

- (a) By an ordinary resolution passed at an extraordinary general meeting held on 26 May 2017 the authorised ordinary share capital of the Company was increased from HK\$15,000,000 to HK\$40,000,000 by the creation of 2,500,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company, such new shares ranking pari passu in all respects with the existing shares of the Company.
- (b) Share options were exercised by option holders during the six months ended 30 June 2017 to subscribe for a total of 6,400,000 ordinary shares in the Company at total consideration of approximately HK\$8,251,000 equivalent to approximately RMB7,178,000 of which approximately RMB56,000 was credited to share capital and the balance of approximately RMB7,122,000 was credited to the share premium account. Approximately RMB2,021,000 has been transferred from the share-based payment reserve to the share premium account.
- (c) On 15 March 2017, Sanju Environmental Protection (Hong Kong) Limited and Golden Talent (HK) Technology Co., Limited (together refer to as the “Subscribers”) and the Company entered into a subscription agreement pursuant to which the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 803,562,111 subscription shares of the Company at subscription price of HK\$1.2 per subscription share (the “Subscription”).

The Subscription was completed on 2 June 2017 and the premium on the issue of shares, amounting to approximately RMB830,669,000, net of share issue expenses, was credited to the Company’s share premium account.

- (d) 19,000,000 warrants were exercised by the warrant holders during the six months ended 30 June 2017 to subscribe for a total of 19,000,000 ordinary shares in the Company at total consideration of approximately HK\$39,900,000, equivalent to approximately RMB34,713,000 of which approximately RMB165,000 was credited to share capital and the balance of approximately RMB34,548,000 was credited to the share premium account. Approximately RMB152,000 has been transferred from the warrants reserve to the share premium account.



## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Contract revenue and other sales income received/receivable from a related company, Dalian Shipbuilding Industry Offshore Company Limited (“Dalian Shipbuilding Offshore”) (a)	6,224	25,929
Contract revenue received/receivable from an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited	200	85

(a) The amount represents the transactions made on or before 2 June 2017.

Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, an executive director of the Company. Mr. Wang Lishan is also the ultimate controlling party of the Company until the completion of the Subscription on 2 June 2017.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

### 16. SEASONALITY

The Group's revenue from the oil and gas industry 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.

### 17. CAPITAL COMMITMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property, plant and equipment contracted but not provided for	142	577

### 18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2017 (At 31 December 2016: Nil).

---

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

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

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

HKFRS 15 replaces all existing revenue standards and interpretations.

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

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

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

The standard also includes comprehensive disclosure requirements relating to revenue.

---

## Notes to the Condensed Financial Statements

*For the six months ended 30 June 2017*

### 19. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

#### **HKFRS 15 Revenue from Contracts with Customers (Continued)**

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

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

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

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

### 20. APPROVAL OF FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board of Directors on 18 August 2017.

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW

During the first half of 2017, albeit the resumption of the world's enthusiasm in the exploitation of oil and gas and the stabilized operating market, the level of positive sentiment and the scale of investment in exploration and development remained low when compared with that of 2014, and the shipbuilding industry still lingered in trough. In face of the severe market situation and the changes in demand structure, active exploration of new business area and realization of transformation and upgrade are the first priorities for the Group's development.

Since last year, we have extended our footstep to the areas of refinery market, environmental protection market and wind power market. We have taken up a production project of a series of modules for an oil refinery plant in Argentina and have undertaken the structure manufacturing and machinery installation for the first ever offshore wind power project in Guangdong province. The product lines of the Company have been expanded, which equipped us with the strategic advantages to march towards the new energy market in the future.

Our associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") has completed all the construction of a total of 33 modules and delivered for Russia's Yamal LNG project undertaken in 2014, representing a realization of over 25 million working hours of zero accident, with excellent quality and high level of safety.

On 15 March 2017, we entered into a subscription agreement with Sanju Environmental Protection (Hong Kong) Limited (三聚環保(香港)有限公司, "Sanju") and Golden Talent (HK) Technology Co., Ltd. (金華信(香港)科技有限公司, "Golden Talent") for the issuance to each of them of 641,566,556 and 161,995,555 subscription shares, totaling 803,562,111 subscription shares, and the subscription was completed on 2 June 2017. Upon completion, Sanju became the single largest and a controlling shareholder (as defined in the Listing Rules) of the Company.

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

Completion of the subscription has not only improved the Group's financial position and liquidity by providing a significant amount of additional capital, but, more important, also formed a complementary and cooperative relationship which will be favorable to the business and strategic development of the parties, bring us more resources, technologies and investment opportunities, eventually benefiting the Company and the shareholders as a whole.

#### **Turnover**

The Group recorded a total turnover of approximately RMB184,224,000 in the first half year of 2017, representing a decrease of RMB182,898,000 or 49.82% when compared with the corresponding period of last year. It was mainly caused by the decrease in turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment by RMB176,278,000 or 54.93% when compared with that of the corresponding period of last year. Regarding the business of provision of technical support and related services to offshore oil and gas industry and sales of related equipment and materials, and the provision of technical supporting services to shipbuilding industry, both turnover therefrom decreased by 19.93% and 29.37% over the corresponding period of last year respectively. The decline in turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment over last year was primarily because several large projects taken up in the second half year of 2015 were completed during the year of 2016, whereas the volume of work in the first half of this year decreased. The main reason for the decrease in turnovers from the business of provision of technical support and related services to offshore oil and gas industry and sales of related equipment and materials, and the provision of technical supporting services to shipbuilding industry was the decrease in volume of work of the Group in these two segments as affected by the continuous sluggish investment in global oil and gas industry and the depressed shipbuilding market.

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Turnover (Continued)

The table below set out the analysis of turnover by business segments for the six months ended 30 June 2015, 2016 and 2017:

Product/service	For the six months ended 30 June					
	2017		2016		2015	
	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	27,027	15	33,753	9	53,024	16
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	144,652	78	320,930	87	238,972	75
3. Provision of technical support services for shipbuilding industry	8,786	5	12,439	4	27,448	9
4. Others	3,759	2	-	-	-	-
Total	184,224	100	367,122	100	319,444	100

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB168,389,000, representing a decline of RMB148,309,000 or 46.83% when compared with that of the corresponding period of last year. It was mainly caused by the significant decrease in turnover over last year. Cost of sales and service comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB141,438,000, representing 83.99% of total cost of sales and service, and a decrease of RMB138,265,000 or 49.43% from RMB279,703,000 of the corresponding period of last year. The Group calculates the cost of sales and service of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and service varies from project to project. Manufacturing overheads has diminished by RMB10,044,000 or 27.15% from RMB36,995,000 of the corresponding period of last year to approximately RMB26,951,000 in current reporting period.

#### Gross Profit

The total amount of gross profit of the Group amounted to approximately RMB15,835,000 for the reporting period, representing a decrease of RMB34,589,000 or a drop of 68.60% when compared with RMB50,424,000 of the corresponding period of last year. The overall gross profit margin decreased to 8.60% from 13.73% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments. Affected by the continuous sluggish investment in global oil and gas industry and the depressed shipbuilding market, our Group has proactively adopted measures such as conducting downward adjustment in profit expectation in bid proposals or accepting the client's request on lowering the price so as to tackle with the intense market competitions. However, the manufacturing overheads could not be reduced accordingly albeit the substantial drop in turnover, and this resulted in the decrease in the gross profit margin of all business segments on the whole.



## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Gross Profit (Continued)

The table below set out the analysis of gross profit by business segments for the six months ended 30 June 2015, 2016 and 2017:

Product/service	For the six months ended 30 June								
	2017			2016			2015		
	RMB'000	Gross profit margin %	Percentage of total gross profit	RMB'000	Gross profit margin %	Percentage of total gross profit	RMB'000	Gross profit margin %	Percentage of total gross profit
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	1,418	5	8	1,744	5	3	11,804	22	14
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	14,505	10	92	48,648	15	97	66,065	28	79
3. Provision of technical support services for shipbuilding industry	(175)	(2)	(1)	32	0	0	5,720	21	7
4. Others	87	2	1	-	-	-	-	-	-
Total	15,835		100	50,424		100	83,589		100

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### **Other Income**

Other income of the Group in the first half of 2017 increased by 98.77% or RMB5,936,000 from the corresponding period of last year, which was caused by substantial increase in recognised government grants income as compared with that of the corresponding period of last year.

#### **Administrative and Other Operating Expenses**

Administrative and other operating expenses of the Group in aggregate in the first half of 2017 were approximately RMB53,312,000, representing a decrease of RMB11,726,000 when compared with that of the corresponding period of last year, which was mainly caused by the Group's cut-down of several expenses and the decrease of the allowance for trade and other receivables and fair value losses on derivative financial instruments.

#### **Finance Costs**

During the reporting period, the finance costs of the Group amounted to approximately RMB4,190,000, which was mainly comprised of interest expenses from bank borrowings and other expenses such as bank charges.

#### **Share of Profits of an Associate**

The Group held 30% of equity interest in Penglai Jutal. In the first half of 2017, Penglai Jutal recorded net profit after tax of approximately RMB106,780,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB32,034,000 under equity accounting method.

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

In the first half year of 2017, profit attributable to owners of the Company amounted to approximately RMB513,000, which represented an increase of RMB1,459,000 when compared with that of the corresponding period of last year. Basic earnings per share attributable to owners of the Company was RMB0.055 cents.

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Liquidity and Financial Resources

As at 30 June 2017, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB942,789,000 (31 December 2016: RMB100,535,000). During the reporting period, net cash generated from operating activities amounted to approximately RMB16,361,000, net cash generated from investing activities amounted to approximately RMB16,344,000, and net cash generated from financing activities amounted to RMB793,706,000.

As at 30 June 2017, the Group had available undrawn banking facilities of approximately RMB190,060,000 (31 December 2016: RMB217,459,000), which includes bank loans, letters of credit, bank guarantees, etc.

#### Capital Structure

On 15 March 2017, the Company entered into a subscription agreement with Sanju and Golden Talent for the issuance to each of them of 641,566,556 and 161,995,555 subscription shares, totaling 803,562,111 subscription shares, and the Subscription was completed on 2 June 2017.

In addition, during the reporting period, the Company issued 19,000,000 ordinary shares upon exercise of warrants by the holders and issued 6,400,000 ordinary shares upon exercise of share options by the holders.

As at 30 June 2017, the share capital of the Company comprises 1,629,316,389 ordinary shares (31 December 2016: 800,354,278 ordinary shares).

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Capital Structure (Continued)

As at 30 June 2017, net assets of the Group amounted to approximately RMB2,055,909,000 (31 December 2016: RMB1,180,542,000), which comprises non-current assets of approximately RMB1,086,269,000 (31 December 2016: RMB1,072,764,000), net current assets of approximately RMB1,027,526,000 (31 December 2016: RMB167,829,000) and non-current liabilities of approximately RMB57,886,000 (31 December 2016: RMB60,051,000).

#### Significant Investment

For the six months ended 30 June 2017, the Group did not have any significant investment. Investment in relation to the Zhuhai fabrication yard may be commenced in the second half of the year based on actual needs of the Group.

#### Foreign Exchange Risk

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

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

#### Assets Pledged by the Group

As at 30 June 2017, approximately RMB17,927,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

At 30 June 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB10,963,000 (31 December 2016: RMB11,596,000).

#### Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

#### Capital Management

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

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

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

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 2017 and as at 31 December 2016 were as follows:

	<b>30 June 2017 RMB'000</b>	31 December 2016 RMB'000
Bank borrowings	<b>127,784</b>	213,628
Total equity	<b>2,055,909</b>	1,180,542
Gearing ratio	<b>6.22%</b>	18.10%

The decrease in gearing ratio for the period resulted primarily from the reduction in bank borrowings and the substantial increase in net assets caused by issuance of additional shares. The Group adjusts the amount of bank loan facilities from time to time to meet the group's working capital needs.

---

## Management Discussion and Analysis

### 1. BUSINESS REVIEW (Continued)

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

As at 30 June 2017, the Group had total 1,979 employees (31 December 2016: 2,174), of which 434 (31 December 2016: 474) were management and technical staff, and 1,545 (31 December 2016: 1,700) were technicians. During the reporting period, an aggregate amount of salary was RMB86,805,000.

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

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

---

## Management Discussion and Analysis

### 2. FUTURE OUTLOOK

Through proactive exploration and innovation in the future development strategies and the business model of the Company, we will not only strive to improve our existing business of equipment manufacturing and engineering services, but also considering further development of operation business areas, so as to gain more stable revenue and cash flow. We will focus on research and development as well as upgrade of the technologies in respect of various areas including crude oil separation, sewage and sludge treatment and oil and gas recovery. Effort will also be devoted in exploration of, and expansion to relevant market. Through technology introduction and cooperation, we will develop new technologies and products for environmental protection in order to make our contribution to energy saving and environmental protection.

In line with the State's "Belt and Road Initiative" and its plans and promotion of energy and technology revolution and innovation, we will actively explore new business areas such as clean energy consumption and seek for any feasible way, such as self-development, merger, acquisition and cooperation, so as to develop new areas of business.



---

## Directors Report and Corporate Governance

### INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2017.

### SHARE OPTION

The Company's share option schemes ("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 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 of Directors (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 ("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 Shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. 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 in issue on the date of the said Annual General Meeting (498,000,000 Shares).

---

## Directors Report and Corporate Governance

### SHARE OPTION (Continued)

The General Scheme Limit of the 2006 Share Option Scheme has been once again refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 25 May 2012. 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 in issue on the date of the said Annual General Meeting (622,799,278 Shares).

The 2006 Share Option Scheme has expired on 20 September 2016, and a new share option scheme of the Company ("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 must not, in aggregate, exceed 80,035,427 shares, representing 10% of the shares in issue on the date of the 2016 Annual General Meeting (800,354,278 shares) and 4.91% of the shares in issue on the date of this interim report (1,630,316,389 shares).

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.

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 Scheme 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 2007 to 30 June 2017, 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 2007

Name of grantee	Date of grant of the options	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 2017	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 the options or the share option scheme during the period	Number of options outstanding as at 30 June 2017	Shareholding
											percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	2,000,000	-	-
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	1,000,000	2.00	-	-	-	-
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	650,000	650,000	2.00	-	-	-	-
<b>Total</b>					<b>3,650,000</b>	<b>1,650,000</b>		<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>

## Directors Report and Corporate Governance

### SHARE OPTION (Continued)

#### (ii) Options granted in 2008

Name of grantee	Date of grant of the options	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 2017	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 the options or the share option scheme during the period	Number of options outstanding as at 30 June 2017	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	-	2,000,000	0.12%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	-	1,200,000	0.07%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,900,000	1,400,000	2.3	-	-	500,000	0.03%
<b>Total</b>					<b>5,100,000</b>	<b>1,400,000</b>		<b>-</b>	<b>-</b>	<b>3,700,000</b>	<b>0.23%</b>

## Directors Report and Corporate Governance

### SHARE OPTION (Continued)

#### (iii) Options granted in 2009

Name of grantee	Date of grant of the options	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 2017	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 2017	Number of	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
											options lapsed in accordance with the terms of the share option scheme during the period	
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	-	-	800,000	0.05%	
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	200,000	200,000	2.38	-	-	-	-	
<b>Total</b>					<b>1,000,000</b>	<b>200,000</b>		<b>-</b>	<b>-</b>	<b>800,000</b>	<b>0.05%</b>	

#### (iv) Options granted in 2010

Name of grantee	Date of grant of the options	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 2017	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 2017	Number of	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
											options lapsed in accordance with the terms of the share option scheme during the period	
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	2,400,000	2,400,000	2.03	-	-	-	-	
<b>Total</b>					<b>2,400,000</b>	<b>2,400,000</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Directors Report and Corporate Governance

### SHARE OPTION (Continued)

#### (v) Options granted in 2011

Name of grantee	Date of grant of the options	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 2017	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 the options or the share option scheme during the period	Number of options outstanding as at 30 June 2017	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	-	-	-	-	1,000,000	0.06%
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,300,000	750,000	2.2	-	-	550,000	0.03%
<b>Total</b>					<b>2,300,000</b>	<b>750,000</b>		<b>-</b>	<b>-</b>	<b>1,550,000</b>	<b>0.09%</b>

#### (vi) Options granted in 2015

Name of grantee	Date of grant of the options	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 2017	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 the options or the share option scheme during the period	Number of options outstanding as at 30 June 2017	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	5,000,000	-	-	-	-	5,000,000	0.31%
Cao Yunsheng	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	8,000,000	-	-	-	-	8,000,000	0.49%
<b>Total</b>					<b>13,000,000</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>13,000,000</b>	<b>0.80%</b>

## Directors Report and Corporate Governance

### SHARE OPTION (Continued)

#### (vii) Options granted in 2016

Name of grantee	Date of grant of the options	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 2017	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 2017	Number of	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
											options lapsed in accordance with the terms of the options	
Wang Lishan	14/10/2016	14/10/2018 to 23/10/2026	0.68	0.63	5,000,000	-	-	-	-	5,000,000	0.31%	
Cao Yunsheng	14/10/2016	14/10/2018 to 23/10/2026	0.68	0.63	8,000,000	-	-	-	-	8,000,000	0.49%	
<b>Total</b>					<b>13,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,000,000</b>	<b>0.80%</b>	

Each option granted under the Share Option Schemes during the period gives the holder the right to subscribe for one Share. 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 2017, the interests and short positions of each Directors and chief executive in the shares, underlying shares and debentures of the company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept by the Company under section Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in the Listing Rules, were as follows:

Name of Directors	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L)	24.36%
	Share options	12,000,000 (L)	0.74%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	8,000,000 (L)	0.49%
	Beneficial owner	1,000,000 (L)	0.06%
	Share options	19,000,000 (L)	1.17%
Tang Hui	Beneficial owner	366,000 (L)	0.02%
Qi Daqing	Beneficial owner	1,550,000 (L)	0.10%



---

## 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. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
3. The 8,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.

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

## Directors Report and Corporate Governance

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

At 30 June 2017, in addition to those of the Directors and chief executives already disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of Part XV of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of shares (Note 1)	Percentage of shareholding
Sanju Environmental Protection (Hong Kong) Limited	Beneficial Owner (Note 2)	641,566,556 (L)	39.38%
Cheung Hing Investments Limited	Beneficial Owner (Note 3)	396,911,278 (L)	24.36%
Golden Talent (HK) Technology Co., Limited	Beneficial Owner (Note 4)	161,995,555 (L)	9.94%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. Sanjun Environmental Protection (Hong Kong) Limited is wholly-owned by Beijing Sanju Environmental Protection & New Materials Co., Ltd.
3. Cheung Hing Investments Limited is wholly-owned by Mr. Wang Lishan, a director and substantial shareholder of the Company.
4. Golden Talent (HK) Technology Co., Limited is 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, at no time during the period, the Directors and chief executive (including their spouse and children under 18 years of age) had any other interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap.622).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

### CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with the Code Provisions during the reporting period, save and except the Company provides the three board members, namely Mr. Cao Yunsheng, Mr. Tang Hui and Mr. Li Jing, 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 Report and Corporate Governance

### DIRECTORS' SECURITIES TRANSACTIONS

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

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

### AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2017 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

### OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2016 Annual Report and the Announcement of the Company dated 12 June 2017.

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

Hong Kong, 18 August 2017

## 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	: 1,630,316,389 ordinary shares
Website	: <a href="http://www.jutal.com">http://www.jutal.com</a>

### BOARD OF DIRECTORS

#### Executive directors

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

#### Independent non-executive directors

Mr. Su Yang  
 Mr. Qi Daqing  
 Mr. Zheng Yimin

### 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 Gardens Two,  
 28 Yun Ping Road, Causeway Bay  
 Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited  
 Royal Bank House – 3rd Floor,  
 24 Shedden Road, P.O. Box 1586,  
 Grand Cayman, KY1-1110,  
 Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
 Level 22,  
 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: [xyx@jutal.com](mailto:xyx@jutal.com)