

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

2019
Interim Report



CONTENTS

FINANCIAL HIGHLIGHTS	2
INDEPENDENT REVIEW REPORT	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	5
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	34
DIRECTORS' REPORT AND CORPORATE GOVERNANCE	44
CORPORATE INFORMATION	58

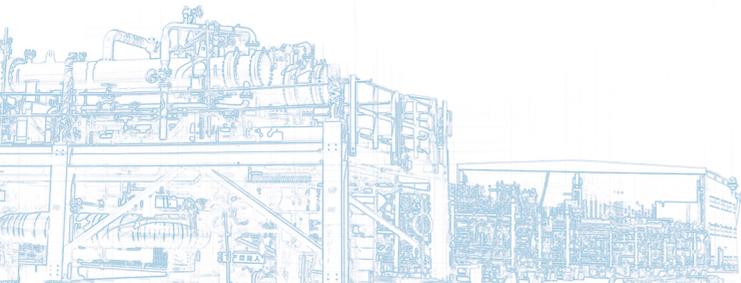


Financial Highlights

- Turnover was RMB492,668,000, a 30.72% decrease from the same period in last year.
- Gross profit was RMB87,910,000, a 52.28% decrease from the same period in last year.
- For the six months ended 30 June 2019, loss attributable to owners of the Company was RMB32,716,000.

For the six months ended 30 June 2018, profit attributable to owners of the Company was RMB18,663,000.
- Basic loss per share was RMB2.002 cents for the six months ended 30 June 2019.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2019.

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 2019 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2018. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 2019 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



RSM

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 33 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

RSM Hong Kong

Certified Public Accountants

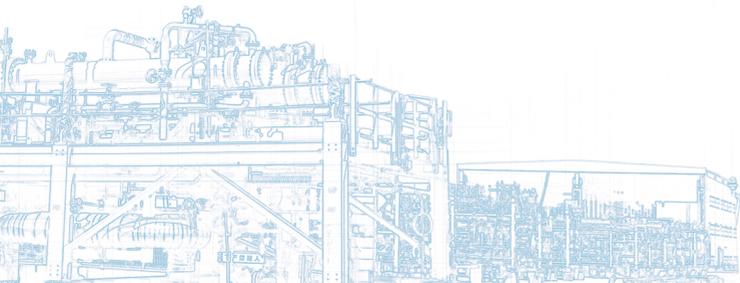
29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

19 August 2019



Condensed Consolidated Statement of Profit or Loss

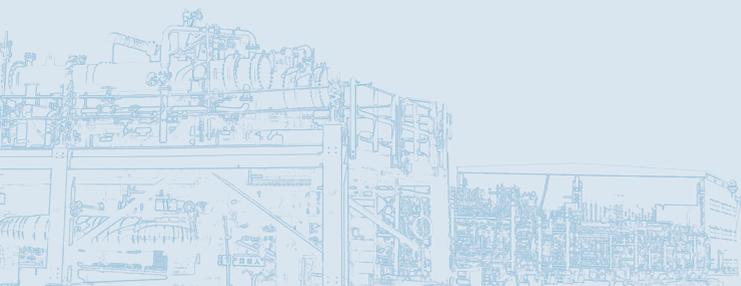
For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Turnover	5	492,668	711,127
Cost of sales and services		(404,758)	(526,919)
Gross profit		87,910	184,208
Other income	6	26,601	25,795
Administrative expenses		(98,795)	(123,066)
Impairment losses on trade and other receivables		(6,290)	(1,980)
Reversal of/(impairment losses) on contract assets		357	(578)
Other operating expenses		(14,115)	(23,171)
(Loss)/profit from operations		(4,332)	61,208
Finance costs	7	(19,204)	(25,777)
(Loss)/profit before tax		(23,536)	35,431
Income tax expense	9	(9,180)	(16,768)
(Loss)/profit for the period attributable to owners of the Company	10	(32,716)	18,663
(Loss)/earnings per share	11	RMB	RMB
Basic		(2.002) CENTS	1.143 CENTS
Diluted		N/A	1.130 CENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(Loss)/profit for the period	(32,716)	18,663
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	6,615	15,528
Other comprehensive income for the period, net of tax	6,615	15,528
Total comprehensive income for the period attributable to owners of the Company	(26,101)	34,191



Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Fixed assets	12	1,545,252	1,548,655
Prepaid land lease payments		255	287
Right-of-use assets	13	32,043	–
Goodwill		54,648	54,648
Intangible assets		5,506	5,758
Trade receivables, non-current	14	42,292	46,129
Other receivables, non-current		9,142	8,846
Deferred tax assets		256	4,014
		1,689,394	1,668,337
Current assets			
Inventories		204,102	80,669
Trade and bills receivables	14	641,928	543,712
Contract cost assets		53,672	56,316
Contract assets		286,551	406,382
Prepayments, deposits and other receivables		289,918	234,618
Derivative financial instruments		3,742	670
Due from directors		697	733
Current tax assets		1,958	2,285
Pledged bank deposits		71,064	69,040
Bank and cash balances		476,846	900,712
		2,030,478	2,295,137

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	15	562,549	659,695
Contract liabilities		200,184	53,702
Accruals and other payables		106,528	112,763
Derivative financial instruments		69	390
Lease liabilities		7,188	–
Provisions		55,795	82,664
Bank and other borrowings		155,459	470,331
Current tax liabilities		5,518	12,525
		1,093,290	1,392,070
Net current assets			
		937,188	903,067
Total assets less current liabilities			
		2,626,582	2,571,404
Non-current liabilities			
Deferred revenue		54,296	37,071
Bank and other borrowings		402,132	335,668
Lease liabilities		25,122	–
Deferred tax liabilities		56,149	65,649
		537,699	438,388
NET ASSETS			
		2,088,883	2,133,016
Capital and reserves			
Share capital	16	14,755	14,755
Reserves		2,074,128	2,118,261
TOTAL EQUITY			
		2,088,883	2,133,016

Approved by the Board of Directors on 19 August 2019.

Chairman

Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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	Statutory reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2018	14,739	1,730,346	(52,040)	2,951	(98,057)	8,199	40,275	371,884	40,637	2,058,934
Adjustments on initial application of										
- HKFRS 9	-	-	-	-	-	-	-	(827)	-	(827)
- HKFRS 15	-	-	-	-	-	-	-	(4,312)	-	(4,312)
Restated balance at 1 January 2018	14,739	1,730,346	(52,040)	2,951	(98,057)	8,199	40,275	366,745	40,637	2,053,795
Total comprehensive income for the period	-	-	-	-	15,528	-	-	18,663	-	34,191
Share-based payments	-	-	-	-	-	17,032	-	-	-	17,032
Issue of shares on exercise of share options (note 16(a))	16	3,272	-	-	-	(695)	-	-	-	2,593
Approval of year 2017 final dividend	-	-	-	-	-	-	-	(50)	(40,637)	(40,687)
Changes in equity for the period	16	3,272	-	-	15,528	16,337	-	18,613	(40,637)	13,129
At 30 June 2018	14,755	1,733,618	(52,040)	2,951	(82,529)	24,536	40,275	385,358	-	2,066,924
At 1 January 2019	14,755	1,733,618	(52,040)	2,951	(43,122)	43,247	40,275	364,697	28,635	2,133,016
Total comprehensive income for the period	-	-	-	-	6,615	-	-	(32,716)	-	(26,101)
Share-based payments	-	-	-	-	-	10,603	-	-	-	10,603
Share option forfeited	-	-	-	-	-	(359)	-	359	-	-
Approval of year 2018 final dividend	-	-	-	-	-	-	-	-	(28,635)	(28,635)
Changes in equity for the period	-	-	-	-	6,615	10,244	-	(32,357)	(28,635)	(44,133)
At 30 June 2019	14,755	1,733,618	(52,040)	2,951	(36,507)	53,491	40,275	332,340	-	2,088,883

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(123,225)	(915,656)
Purchases of fixed assets		(81,899)	(19,028)
Proceeds from disposals of fixed assets		67	–
Government grant received		23,014	–
Decrease in pledged bank deposits		6,897	233,619
Other investing cash flows (net)		6,336	7,712
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(45,585)	222,303
Bank loans raised		70,000	539,981
Repayment of bank loans		(318,408)	(519,373)
Principal elements of lease payments		(4,342)	–
Repayment of loan from ultimate holding company		–	(80,000)
Proceeds from issue of shares on exercise of share options		–	2,591
NET CASH USED IN FINANCING ACTIVITIES		(252,750)	(56,801)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(421,560)	(750,154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		902,562	1,455,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		6,615	15,528
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		487,617	720,639
Bank and cash balances		476,846	720,639
Pledged bank deposits (mature in three months or less)		10,771	–
		487,617	720,639

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2018 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 2018 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

(b) As a lessee

The Group leases many assets, including properties, office equipment and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019 RMB'000	1 January 2019 RMB'000
Properties	31,796	37,493
Motor vehicles	247	308
Total right-of-use assets	32,043	37,801

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

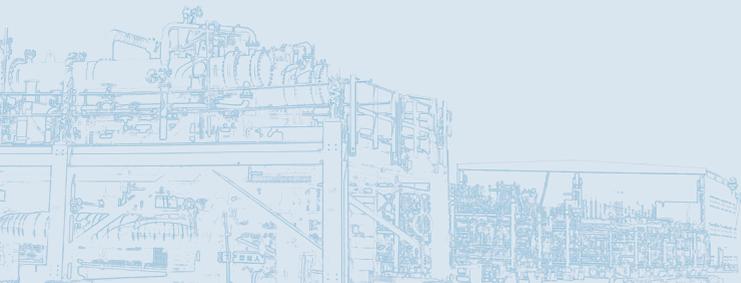
Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include offices, staff quarters and warehouses. The leases typically run for a period of 1 to 3 years. Some leases include an option to renew the lease after the end of the non-cancellable period.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

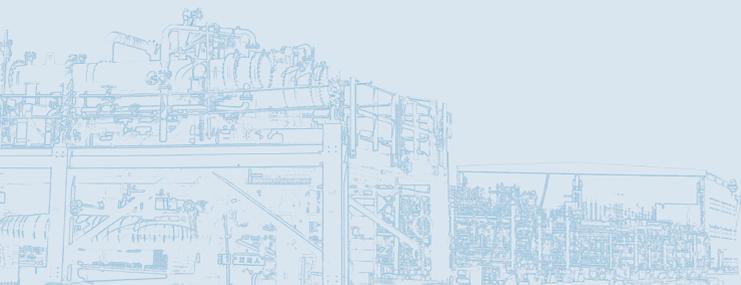
(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 RMB'000
<hr/>	
Assets	
Right-of-use assets	37,801
<hr/>	
Total assets	37,801
<hr/>	
Liabilities	
Lease liabilities	37,801
<hr/>	
Total liabilities	37,801
<hr/>	

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.88%.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

(c) Impacts of financial statements (Continued)

	1 January 2019 RMB'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	8,380
Discounted using the incremental borrowing rate at 1 January 2019	7,829
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(814)
Add: Recognition of leases entered into and commenced on 1 January 2019	30,786
Lease liability recognised as at 1 January 2019	37,801
Of which are:	
Current lease liabilities	7,854
Non-current lease liabilities	29,947
	37,801

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

(c) Impacts of financial statements (Continued)

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB5,060,000 of right-of-use assets and RMB5,019,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB1,955,000 of depreciation charges and RMB106,000 of finance costs from these leases.

3. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

(a) Disclosures of level in fair value hierarchy at 30 June 2019:

Description	Fair value measurements as at	
	30 June 2019 using level 2 RMB'000	31 December 2018 using level 2 RMB'000
Recurring fair value measurements: Financial assets		
Derivatives		
Foreign currency forward	3,742	670
Recurring fair value measurements: Financial liabilities		
Derivatives		
Foreign currency forward	69	390

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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

The Group has engaged external valuation expert with the professional qualifications and recent experience to perform the fair value measurement of foreign currency forward contracts outstanding at 30 June 2019 and 31 December 2018.

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 2019		31 December 2018	
			Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	3,742	69	670	390

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)

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

	Oil and gas segment RMB'000 (Unaudited)	Other energy and refinery and chemical segment RMB'000 (Unaudited)	Shipbuilding service segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2019					
Revenue from external customers	442,529	44,629	4,931	579	492,668
Segment profit/(loss)	78,319	9,043	1,367	(819)	87,910
At 30 June 2019:					
Segment assets	2,684,435	362,015	6,573	11,291	3,064,314
Segment liabilities	874,412	72,342	3,847	838	951,439
Six months ended 30 June 2018					
Revenue from external customers	441,517	261,757	6,289	1,564	711,127
Segment profit/(loss)	156,285	28,004	(786)	705	184,208
At 31 December 2018:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,475,898	375,913	22,934	12,277	2,887,022
Segment liabilities	720,290	157,393	18,033	2,438	898,154

Notes to the Condensed Consolidated Financial Statements

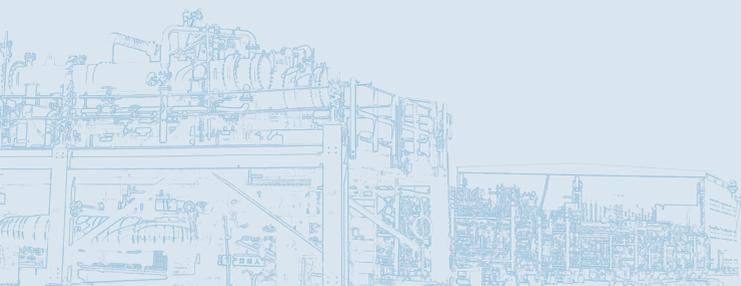
For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	87,910	184,208
Unallocated amounts:		
Other income	26,601	25,795
Finance costs	(19,204)	(25,777)
Other corporate expenses	(118,843)	(148,795)
Consolidated (loss)/profit before tax for the period	(23,536)	35,431

5. TURNOVER

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. TURNOVER (CONTINUED)

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

For the six months ended 30 June (Unaudited)	Oil and gas segment		Other energy and refinery and chemical segment		Shipbuilding service segment		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	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	28,963	92,084	5	222,811	-	-	-	-	28,968	314,895
Goods and services transferred over time	413,566	349,433	44,624	38,946	4,931	6,289	579	1,564	463,700	396,232
Total	442,529	441,517	44,629	261,757	4,931	6,289	579	1,564	492,668	711,127

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade and bills receivables	684,220	589,841
Contract assets	286,551	406,382
Contract liabilities	200,184	53,702

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. TURNOVER (CONTINUED)

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

The amount of approximately RMB23,955,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2019.

6. OTHER INCOME

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment	155	115
Interest income	6,335	8,789
Net foreign exchange losses	(432)	(1,048)
Government grant recognised	5,789	3,327
Compensation income	7,353	14,439
Fair value gains on derivative financial instruments	3,393	–
Sundry income	4,008	173
	26,601	25,795



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

7. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on bank and other borrowings	18,749	23,015
Others	455	2,762
	19,204	25,777

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2019 and 30 June 2018.

Final dividend for the year ended 31 December 2018 of HK\$0.02 (2017: HK\$0.03) per ordinary share was approved during the six months ended 30 June 2019.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	6,585	30,915
Under provision in prior periods	8,337	128
	14,922	31,043
Deferred tax	(5,742)	(14,275)
	9,180	16,768

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. 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 2019 and 2018.

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.

10. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(Reversal of)/allowance for inventories	(893)	3,001
Impairment losses on trade and other receivables	6,290	1,980
Gain on disposals of property, plant and equipment	(155)	(115)
(Reversal of)/impairment losses on contract assets	(357)	578
Directors' emoluments		
– As directors	180	187
– For management	4,646	2,268
– Share-based payments	2,111	3,741
	6,937	6,196

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	(32,716)	18,663
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	1,634,016,389	1,633,276,058
Effect of dilutive potential ordinary shares arising from share options	N/A	17,946,108
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	N/A	1,651,222,166

As the exercise of the Group's outstanding share options for the six-month period ended 30 June 2019 would be anti-dilutive, no diluted (loss)/earnings per share was presented for the six-month period ended 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. FIXED ASSETS

During the six months ended 30 June 2019, the Group acquired fixed assets of approximately RMB62,695,000 (six months ended 30 June 2018: RMB19,028,000).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into two new lease agreements for use of properties and warehouses for 2 to 15 years. The Group makes fixed payments during the respective lease periods. Upon commencement of the respective lease, the Group recognised RMB30,786,000 of right-of-use assets and lease liabilities.

14. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	654,637	521,135
Allowance for doubtful debts	(33,768)	(27,479)
	620,869	493,656
Bills receivables	63,351	96,185
	684,220	589,841
Classified as:		
Trade receivables, non-current	42,292	46,129
Trade and bills receivables, current	641,928	543,712
	684,220	589,841

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Billed:		
0 to 30 days	142,402	50,318
31 to 90 days	34,281	76,619
91 to 365 days	139,782	78,036
Over 365 days	64,811	36,162
Unbilled	381,276 273,361	241,135 280,000
	654,637	521,135

Notes to the Condensed Consolidated Financial Statements

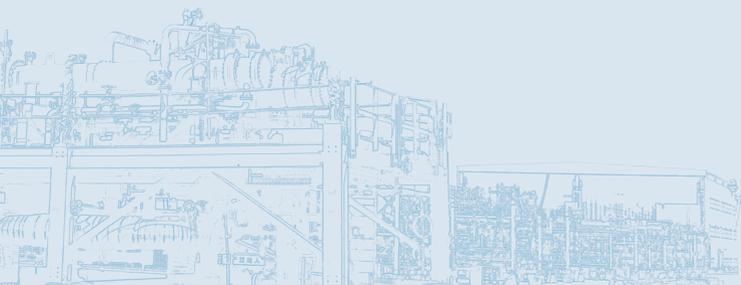
For the six months ended 30 June 2019

15. TRADE AND BILLS PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	525,729	606,042
Bills payables	36,820	53,653
	562,549	659,695

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 30 days	309,211	348,720
31 to 90 days	18,280	20,257
91 to 365 days	74,898	84,819
Over 365 days	123,340	152,246
	525,729	606,042



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2018 (Audited) and 30 June 2019 (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 2018 (Audited)		1,632,016,389	16,321	14,739
Exercise of share options	(a)	2,000,000	20	16
At 31 December 2018 (Audited) and 30 June 2019 (Unaudited)		1,634,016,389	16,341	14,755

Note:

- (a) Share options were exercised by option holders during the year ended 31 December 2018 to subscribe for a total of 2,000,000 ordinary shares in the Company at total consideration of approximately HK\$3,240,000 equivalent to approximately RMB2,593,000 of which approximately RMB16,000 was credited to share capital and the balance of approximately RMB2,577,000 was credited to the share premium account. Approximately RMB695,000 has been transferred from the share-based payment reserve to the share premium account.

Notes to the Condensed Consolidated Financial Statements

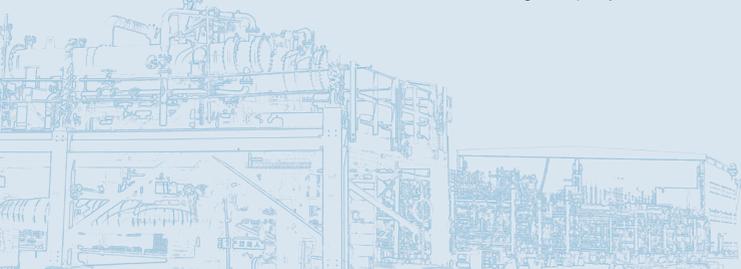
For the six months ended 30 June 2019

17. 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	
Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	
Revenue received/receivable from a related company, Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore")	(a)	–	5,056
Revenue received/receivable from fellow subsidiaries	(b)	16,507	27,052
Revenue received/receivable from the ultimate holding company		28,904	57
Interest expenses paid/payable to ultimate holding company		–	130

- (a) Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly owned by Mr. Wang Lishan, an executive director and a substantial shareholder of the Company.
- (b) These fellow subsidiaries are wholly-owned by Beijing Sanju Environmental Protection and New Materials Co., Ltd., the ultimate holding company.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. SEASONALITY

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

19. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Fixed assets contracted but not provided for	69,360	67,677

20. CONTINGENT LIABILITIES

The Group is a defendant in a lawsuit brought during the year ended 31 December 2018 claiming approximately RMB8.2 million together with interest relating to subcontracting services rendered by a subcontractor (the "Plaintiff"). The Group has filed a counterclaim against the Plaintiff for approximately RMB3.7 million. The lawsuit is now being proceeded and has not been completed up to the date of this report.

Because the final outcome of the proceeding is uncertain, the directors based on the legal advice obtained and determined that the ultimate liability, if any, would not have a material impact on the Group's financial position.

Save as disclosed above, as at 30 June 2019 and 31 December 2018, the Group did not have other significant contingent liabilities.

21. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 August 2019.

Management Discussion and Analysis

1. REVIEWS

The Group is an integrated service provider offering engineering, facilities manufacturing, and comprehensive services mainly in the energy industry such as oil and gas, which include offshore engineering, construction of modular petroleum and natural gas chemical plant, FPSO (Floating Production Storage and Offloading) topside module construction and oil and gas processing equipment. The services involve the engineering and construction of upstream oil and gas field development facilities as well as the midstream and downstream LNG facilities and refining and chemical facilities. The Group mainly undertakes projects from the international market and has an international leading comprehensive strength in large-scale modular equipment construction. Besides, the reliability and quality of the projects implemented by the Group are highly recognised by the world's top energy companies.

During the first half of year 2019, the Penglai site of the Group had completed and delivered 6 projects and had 18 projects in progress. The development of the core modules of the natural gas chemical factory under the US GCGV Project[#], a project secured last year with total contract value amounting to over RMB2 billion, also has gradually stepped into the site construction stage in the first half of this year. However, since projects on hand were still at the early stage of construction, low workload has led to slow progress for work completed. Our projects teams have maintained continuous and effective communication with our customers during the process of carrying out their work and worked jointly to facilitate the implementation of the projects.

By leasing a new site covering an area of 200,000 square meters and adjacent to our existing factories and by upgrading our existing factories, the project delivery capacity of our Penglai site is expected to nearly double in the coming future. Such growth will enable us to undertake more new projects in the future and to achieve the concurrent development of major projects.

The Group's Zhuhai fabrication yard mainly engages in fabrication of module and equipment in comparably smaller size. Its capacity was not in full operation during the first half of the year.

GCGV Project is a new petrochemical complex with an annual production capacity of 1.8 million tons ethylene in Texas, U.S., which is jointly developed by ExxonMobil and SABIC. For more information of the GCGV Project, please visit GCGV's website at <http://www.gulfcoastgv.com>.



Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Benefiting from the increase of the capital expenditure in the domestic offshore oil and gas market, the Group's business volume of traditional offshore oil and gas services business was relatively saturated, representing a growth as compared with the corresponding period of last year.

The Group closely monitored the market information and proactively strived for several major and small-and-medium projects by engaging targeted tender strategies. In July 2019, the Group was awarded a major construction contract from TECHNIP France S.A., a subsidiary wholly owned by Technip FMC, a well-known international engineering general contracting company in Europe. Pursuant to the contract, the Group will construct the largest module of core compressor and generator that were currently found in the industry for the first two trains of the Arctic LNG 2 project (a liquidized natural gas project located in the arctic region) at our Penglai site. The total sum of the contract exceeded RMB3.0 billion.

Turnover

For the first half year of 2019, the Group recorded turnover of approximately RMB492,668,000, representing a decrease of RMB218,459,000 or 30.72% as compared with the corresponding period of last year. Among others, the fabrication of facilities and provision of integrated services for oil and gas industries recorded turnover of RMB442,529,000, representing an increase of RMB1,012,000 or 0.23% as compared with the corresponding period of last year. Turnover from the fabrication of facilities and provision of integrated services for other energy and refining and chemical industries decreased by 82.95% or RMB217,128,000 as compared with the corresponding period of last year, which was mainly due to the fact that most of the projects secured in 2017 were intensively implemented in 2018 and the Company actively cut down relevant business. Turnover from the provision of technical support services for shipbuilding industry decreased by 21.59% or RMB1,358,000 as compared with the corresponding period of last year, which was mainly due to the further decrease in the workload of such business of the Group caused by the continually weakened ship-building market.

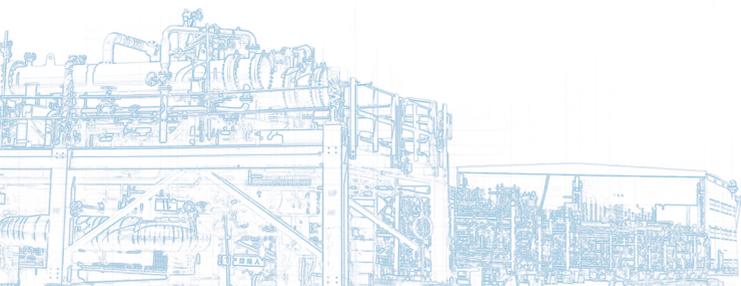
Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Turnover (Continued)

The table below sets out the analysis of turnover by business segment categories for the six months ended 30 June 2017, 2018 and 2019:

Product/service	For the six months ended 30 June					
	2019		2018		2017	
	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Fabrication of facilities and provision of integrated services for oil and gas industries	442,529	90	441,517	62	171,679	93
2. Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries	44,629	9	261,757	37	-	-
3. Provision of technical support services for shipbuilding industry	4,931	1	6,289	1	8,786	5
4. Others	579	0	1,564	0	3,759	2
Total	492,668	100	711,127	100	184,224	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 RMB404,758,000, representing a decrease of RMB122,161,000 or 23.18% when compared with that of the corresponding period of last year. It was mainly caused by the significant decrease in turnover over the corresponding period of last year. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB338,912,000, representing 83.73% of total cost of sales and services, and a decrease of RMB117,074,000 or 25.68% from RMB455,986,000 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 varies from project to project. Manufacturing overheads has decreased by RMB5,087,000 or 7.17% from RMB70,933,000 of the corresponding period of last year to approximately RMB65,846,000 in current reporting period.

Gross Profit

During the reporting period, the total amount of gross profit of the Group amounted to approximately RMB87,910,000, representing a decrease of RMB96,298,000 or 52.28% when compared with RMB184,208,000 of the corresponding period of last year. The overall gross profit margin decreased to 17.84% from 25.90% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The decrease in the overall gross profit margin was mainly due to the lower price quotation strategy in tender of major projects that were undertaken in the first half year which resulted in lower gross margin as compared with that of projects undertaken in the previous year.

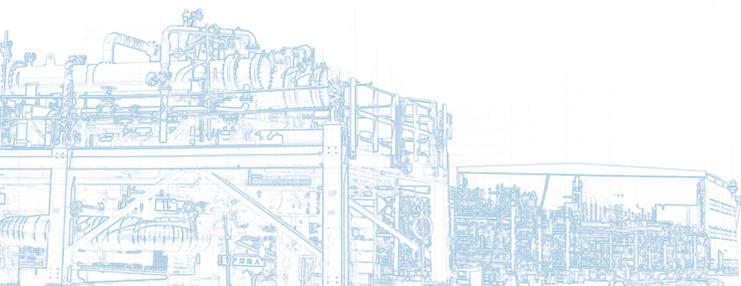
Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Gross Profit (Continued)

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2017, 2018 and 2019:

Product/service	For the six months ended 30 June								
	2019			2018			2017		
	Gross profit margin	Percentage of total gross profit		Gross profit margin	Percentage of total gross profit		Gross profit margin	Percentage of total gross profit	
	RMB'000	%		RMB'000	%		RMB'000	%	
1. Fabrication of facilities and provision of integrated services for oil and gas industries	78,319	18	89	156,285	35	85	15,923	9	100
2. Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries	9,043	20	10	28,004	11	15	-	-	-
3. Provision of technical support services for shipbuilding industry	1,367	28	2	(786)	(12)	0	(175)	(2)	(1)
4. Others	(819)	(141)	(1)	705	45	0	87	2	1
Total	87,910		100	184,208		100	15,835		100



Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Other income

Other income of the Group in the first half of 2019 amounted to approximately RMB26,601,000, mainly comprising interest income, insurance compensation income and income from government grants.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group in aggregate in the first half of 2019 were approximately RMB112,910,000, representing a decrease of RMB33,327,000 when compared with that of the corresponding period of last year, which was mainly due to the decrease in share option expenses of the Group and decrease in professional service fees during the current period.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB19,204,000, which was mainly comprised of interest expenses from bank and other borrowings and bank charges.

Loss for the Period Attributable to Owners of the Company

In the first half year of 2019, loss attributable to owners of the Company amounted to approximately RMB32,716,000. Basic loss per share attributable to owners of the Company was approximately RMB2.002 cents.

Liquidity and Financial Resources

As at 30 June 2019, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB487,617,000 (31 December 2018: RMB902,562,000). During the said period, net cash outflows from operating activities amounted to approximately RMB123,225,000, net cash outflows from investing activities amounted to approximately RMB45,585,000, and net cash outflows from financing activities amounted to approximately RMB252,750,000.

As at 30 June 2019, the Group had available undrawn banking facilities of approximately RMB1,094,026,000 (31 December 2018: RMB630,523,000), which includes bank loans, letters of credit, bank guarantees, etc.

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Structure

As at 30 June 2019, the share capital of the Company comprises 1,634,016,389 ordinary shares (31 December 2018: 1,634,016,389 ordinary shares).

As at 30 June 2019, net assets of the Group amounted to approximately RMB2,088,883,000 (31 December 2018: RMB2,133,016,000), which comprises non-current assets of approximately RMB1,689,394,000 (31 December 2018: RMB1,668,337,000), net current assets of approximately RMB937,188,000 (31 December 2018: RMB903,067,000) and non-current liabilities of approximately RMB537,699,000 (31 December 2018: RMB438,388,000).

Significant Investment

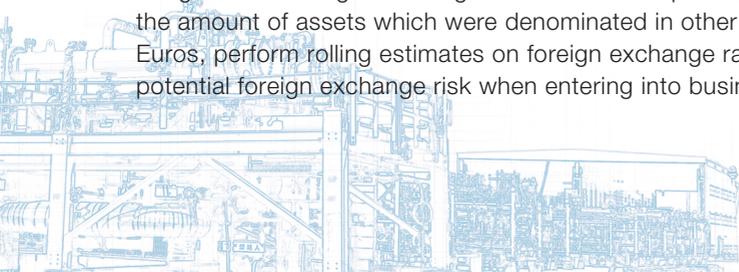
In the first half of the year, the construction works of the site and related auxiliary facilities of the west factory area of our Penglai site were in peak level, with total investment of approximately RMB57,000,000, which was expected to be completed in the second half of 2019.

The construction of our office building in Zhuhai was in the final stage of construction, with total investment of approximately RMB40,000,000, which was expected to be completed in the second half of 2019.

Apart from the above, the Group had no other significant investment for the six months ended 30 June 2019.

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.



Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Assets Pledged by the Group

As at 30 June 2019, approximately RMB71,064,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

At 30 June 2019, the carrying amount of property, plant and equipment pledged as security for the Group's bank and other borrowings amounted to approximately RMB119,425,000 (31 December 2018: RMB124,423,000).

Contingent Liabilities

Save as disclosed in note 14 to the condensed consolidated financial statements in this report, as at 30 June 2019, the Group did not have other significant contingent liabilities.

Capital Management

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

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

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

Management Discussion and Analysis

1. REVIEWS (CONTINUED)

Capital Management (Continued)

The gearing ratios of the Group as at 30 June 2019 and as at 31 December 2018 were as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Total bank and other borrowings	557,591	805,999
Total equity	2,088,883	2,133,016
Gearing ratio	26.69%	37.79%

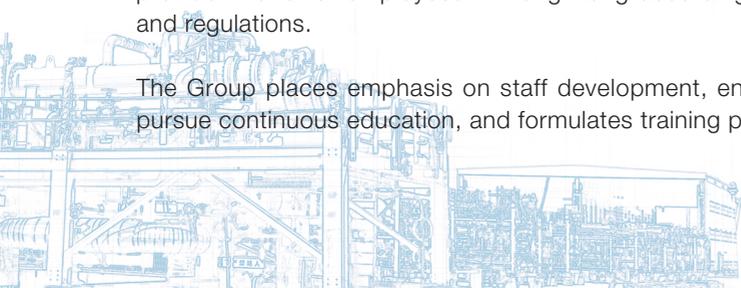
The decrease in gearing ratio for the period resulted primarily from the reduction in bank and other borrowings. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

Employees and Remuneration Policy

As at 30 June 2019, the Group had total 2,991 employees (31 December 2018: 2,747), of which 1,158 (31 December 2018: 1,201) were management and technical staff, and 1,833 (31 December 2018: 1,546) 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 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

For certain work orders previously obtained by the Group, relevant construction will commence in the second half of this year. For some projects in progress including the natural gas petrochemical modules construction of the GCGV Project granted last year, the construction will also gradually enter into the peak period, which will require significant demands for manpower and other work resources. The Group will closely monitor the project implementation and strengthen the cost and process control to improve the execution efficiency. Meanwhile, the Group will continue to acquire some production equipment, improve site facilities and strengthen personnel recruitment as planned to meet the requirements in the project development.

In addition, the Group will continue to reinforce the technology integration, information sharing and resource complementation among sites, accelerate the progress in staffing and organizational structure improvement and strengthen the construction of core professionals and various management personnel, so that our sites and business segments can complement each other for concerted progress.

In recent years, China has become the preferred site for international large-scale module construction projects and China's construction has been fully recognised by international customers. Overall, there are a number of visible market opportunities for large-scale module construction, especially for modular plant construction business, in the coming years. The Group will actively track projects and businesses with market representation and continuity, pay close attention to external complex and volatile situations, overcome risks and maintain its competitive advantages.

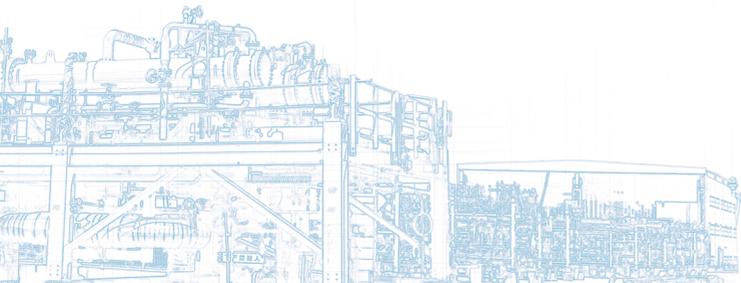
Directors' Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019.

USE OF THE RAISED PROCEEDS

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



Directors' Report and Corporate Governance

USE OF THE RAISED PROCEEDS (CONTINUED)

The net proceeds from the Subscription was approximately HK\$962,000,000. As at 30 June 2019, 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 2019	Plan of use of the outstanding balance of the proceeds from the Subscription
1.	Approximately HK\$500 million for the working capital in engineering, procurement, installation and construction ("EPIC") projects; and in built – transfer projects relating to the oil and gas equipment and facilities	All has been used as planned	–
2.	Approximately HK\$250 million for the capital expenditure in improving and expanding the production facilities and office facilities in the Group's Zhuhai operation	Approximately HK\$30 million has been used for the capital expenditure in the production and office facilities of the Group's Zhuhai fabrication yard	The remaining HK\$220 million will be kept for the Group's future capital expenditure in the production and office facilities as necessary
3.	Approximately HK\$212 million for the general working capital of the Group	All has been used as planned	–

Directors' Report and Corporate Governance

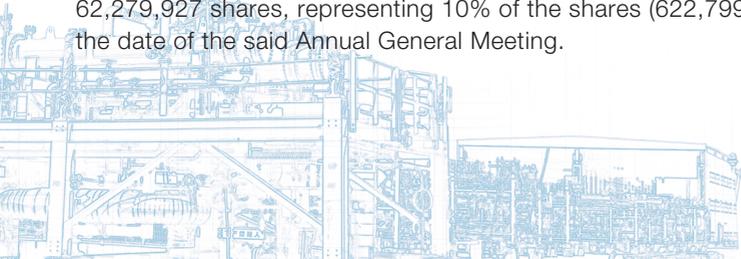
SHARE OPTION

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 employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The Company's 2006 share option scheme ("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. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the 2006 Share Option Scheme must not, in aggregate, exceed 49,800,000 shares, representing 10% of the shares (498,000,000 shares) in issue on the date of the said Annual General Meeting.

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



Directors' Report and Corporate Governance

SHARE OPTION (CONTINUED)

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

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

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

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

Directors' Report and Corporate Governance

SHARE OPTION (CONTINUED)

From 1 January 2009 to 30 June 2019, 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 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 2019	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 2019	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	-	-	800,000	0.05%
Total					800,000	-	-	-	-	800,000	0.05%

(ii) 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 2019	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 2019	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 22/06/2021	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	550,000	-	-	-	-	550,000	0.03%
Total					1,550,000	-	-	-	-	1,550,000	0.09%



Directors' Report and Corporate Governance

SHARE OPTION (CONTINUED)

(iii) 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 2019	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 lapsed in accordance with the terms of the options outstanding as at 30 June 2019	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%
Total					13,000,000	-	-	-	-	13,000,000	0.80%

(iv) Options granted in 2016

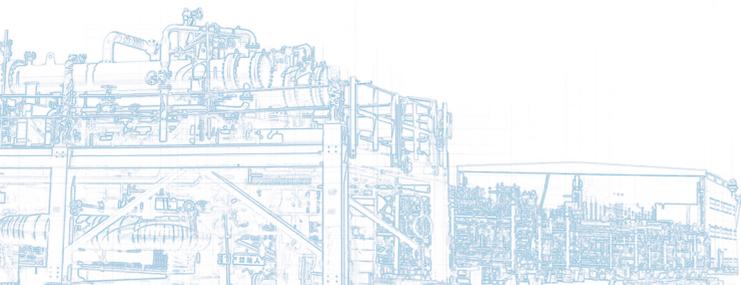
Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2019	Number of options exercised during the period	Weighted average closing price 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 lapsed in accordance with the terms of the options outstanding as at 30 June 2019	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	14/10/2016	14/10/2018 to 13/10/2026	0.68	0.63	5,000,000	-	-	-	-	5,000,000	0.31%
Cao Yunsheng	14/10/2016	14/10/2018 to 13/10/2026	0.68	0.63	8,000,000	-	-	-	-	8,000,000	0.49%
Total					13,000,000	-	-	-	-	13,000,000	0.80%

Directors' Report and Corporate Governance

SHARE OPTION (CONTINUED)

(v) Options granted in 2018

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 2019	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 share option scheme during the period	Number of options outstanding as at 30 June 2019	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	2,300,000	-	-	-	-	2,300,000	0.14%
Cao Yunsheng	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	8,000,000	-	-	-	-	8,000,000	0.49%
Tang Hui	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Liu Yunian	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Su Yang	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Zheng Yimin	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Qi Daqing	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	1,500,000	-	-	-	-	1,500,000	0.09%
Other eligible participants	09/01/2018	09/01/2019 to 08/01/2028	2.14	2.11	49,200,000	-	-	-	600,000	48,600,000	2.97%
Total					67,000,000	-	-	-	600,000	66,400,000	4.05%



Directors' Report and Corporate Governance

SHARE OPTION (CONTINUED)

(vi) Options granted in 2019

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 granted during the period	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2019	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Hong Kong Zixin Financial News Agency Limited	29/05/2019	29/08/2019 to 28/05/2022	1.04	0.75	15,000,000	-	-	-	-	15,000,000	0.92%
Total					15,000,000	-	-	-	-	15,000,000	0.92%

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

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

Directors' Report and Corporate Governance

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

At 30 June 2019, 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" ("Model Code") 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)	24.29%
	Beneficial owner	6,000,000 (L)	0.37%
	Share options	12,300,000 (L)	0.75%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	8,000,000 (L)	0.49%
	Beneficial owner	2,200,000 (L)	0.13%
	Share options	25,800,000 (L)	1.58%
Tang Hui	Beneficial owner	366,000 (L)	0.02%
	Share options	1,500,000 (L)	0.09%
Liu Yunian	Share options	1,500,000 (L)	0.09%
Qi Daqing	Beneficial owner	1,550,000 (L)	0.09%
	Share options	1,500,000 (L)	0.09%
Su Yang	Share options	1,500,000 (L)	0.09%
Zheng Yimin	Share options	1,500,000 (L)	0.09%

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 Mr. Wang Lishan.
3. The 8,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Mr. Cao Yunsheng.

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

Directors' Report and Corporate Governance

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

At 30 June 2019, 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)	39.26%
Beijing Sanju Environmental Protection & New Materials Co., Ltd. (北京三聚環保新材料股份有限公司)	Interest of a controlled corporation (Note 2)	641,566,556 (L)	39.26%
Cheung Hing Investments Limited	Beneficial owner (Note 3)	396,911,278 (L)	24.29%
Wang Lishan	Interest of a controlled corporation (Note 3) Beneficial owner	396,911,278 (L) 18,300,000 (L)	24.29% 1.12%
Dongxing Securities Co., Ltd. (東興證券股份有限公司)	Interest of a controlled corporation (Note 4)	161,995,555 (L)	9.91%
Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司)	Person having a security interest in shares (Note 4)	161,995,555 (L)	9.91%
Hong Man Chu	Interest of spouse (Note 5)	161,995,555 (L)	9.91%
Lo Chun Yim	Interest of a controlled corporation (Note 6)	161,995,555 (L)	9.91%
Golden Talent (HK) Technology Co., Limited	Beneficial Owner (Note 6)	161,995,555 (L)	9.91%

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" denote a long position in the Shares respectively.
2. The 641,566,556 Shares are held by Sanju Environmental Protection (Hong Kong) Limited, which is wholly-owned by Beijing Sanju Environmental Protection & New Materials Co., Ltd. (北京三聚環保新材料股份有限公司)
3. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.
4. The 161,995,555 Shares are held by Dongxing Securities (Hong Kong) Financial Holdings Limited, which is wholly-owned by Dongxing Securities Co., Ltd.
5. Ms. Hong Man Chu is the spouse 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 Schemes 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 SFO and the Hong Kong Companies Ordinance (Cap. 622).

Directors' Report and Corporate Governance

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

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

CORPORATE GOVERNANCE

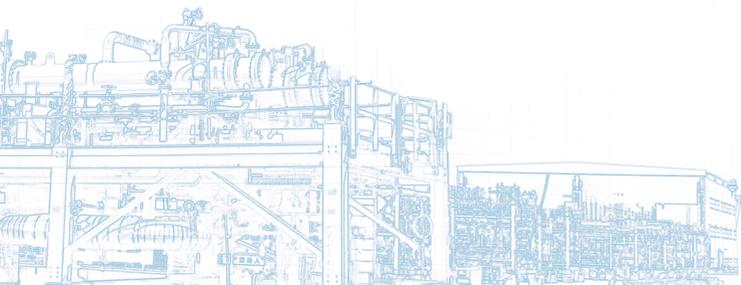
The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") introduced in Appendix 14 of the Listing Rules by the Stock Exchange to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

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





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. The primary duties of the Audit Committee (inter alia) are to review the financial information of the Company, monitor the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2019 and is of the opinion that such information has complied with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise. Details of the Directors' biographies were set out in the 2018 Annual Report of the Company.

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

Hong Kong, 19 August 2019

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 : 1,634,016,389 ordinary shares
Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Liu Lei (*Chairman*)
Mr. Wang Lishan
Mr. Lin Ke
Mr. Cao Yunsheng (*CEO*)
Mr. Liu Yunian
Mr. Tang Hui

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 Garden 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 54,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

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