

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)



2013
Interim Report

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Financial Highlights

- Turnover was RMB370,754,000, a 51.29% increase over the same period last year.
- Gross profit was RMB103,944,000, a 85.68% increase over the same period last year.
- Profit attributable to owners of the Company was RMB30,364,000, a 51.01% increase over the same period last year.
- Basic earnings per share was RMB0.046 for the six months ended 30 June 2013.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2013.

The Board of Directors (the “Board”) of Jutal Offshore Oil Services Limited (the “Company”) is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2013 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2012. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 has been reviewed by the audit committee of the Company (the “Audit Committee”). RSM Nelson Wheeler, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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 (“HKICPA”).

Independent Review Report



RSM

Audit • Tax • Advisory

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 25 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2013 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 Nelson Wheeler
Certified Public Accountants
Hong Kong

23 August 2013

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover		370,754	245,062
Cost of sales and service		(266,810)	(189,081)
Gross profit		103,944	55,981
Other income	4	291	683
Administrative expenses		(59,214)	(41,818)
Other operating expenses		(394)	(98)
Profit from operations		44,627	14,748
Finance costs	5	(7,109)	(5,545)
Share of profits of an associate		6,906	12,405
Profit before tax		44,424	21,608
Income tax expense	6	(14,060)	(1,501)
Profit for the period attributable to owners of the Company	7	30,364	20,107
Earnings per share	9	RMB	RMB
Basic		4.6 CENTS	3.2 CENTS
Diluted		4.4 CENTS	3.2 CENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Profit for the period	30,364	20,107
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(3,232)	691
Other comprehensive income for the period, net of tax	(3,232)	691
Total comprehensive income for the period attributable to owners of the Company	27,132	20,798

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	383,278	372,098
Prepaid land lease payments		645	677
Goodwill		179,886	182,135
Intangible assets		1,666	2,107
Investment in an associate		274,031	296,689
Deferred tax assets		4,970	6,094
		844,476	859,800
Current assets			
Inventories		42,761	14,330
Trade and bills receivables	11	116,870	113,160
Gross amount due from customers for contract work		255,110	122,363
Prepayments, deposits and other receivables		78,654	43,317
Due from directors		1,697	1,772
Due from an associate		199	170
Current tax assets		222	222
Pledged bank deposits		7,087	6,607
Bank and cash balances		105,515	107,828
		608,115	409,769

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	12	181,566	142,496
Gross amount due to customers for contract work		29,048	31,993
Accruals and other payables		52,472	65,568
Warranty provisions		1,061	528
Bank loans		160,000	126,000
Current tax liabilities		1,288	4,598
		425,435	371,183
Net current assets			
		182,680	38,586
Total assets less current liabilities			
		1,027,156	898,386
Non-current liabilities			
Deferred tax liabilities		36,375	24,111
NET ASSETS			
		990,781	874,275
Capital and reserves			
Share capital	13	6,909	6,133
Reserves		983,872	868,142
TOTAL EQUITY			
		990,781	874,275

Approved by the Board of Directors on 23 August 2013.

WANG Lishan
Chairman

CAO Yunsheng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company (Unaudited)										
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Warrants reserves	Statutory reserves	Retained profits	Proposed final dividend	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	6,084	645,832	(52,040)	2,951	(56,418)	12,125	-	25,472	241,056	-	825,062
Total comprehensive income for the period	-	-	-	-	691	-	-	-	20,107	-	20,798
Share-based payments	-	-	-	-	-	2,158	-	-	-	-	2,158
Changes in equity for the period	-	-	-	-	691	2,158	-	-	20,107	-	22,956
At 30 June 2012	6,084	645,832	(52,040)	2,951	(55,727)	14,283	-	25,472	261,163	-	848,018
At 1 January 2013	6,133	648,627	(52,040)	2,951	(56,026)	16,189	267	28,968	269,019	10,187	874,275
Total comprehensive income for the period	-	-	-	-	(3,232)	-	-	-	30,364	-	27,132
Issue of shares on subscription	400	66,995	-	-	-	-	-	-	-	-	67,395
Issue of shares on exercise of warrants	240	16,796	-	-	-	-	(236)	-	-	-	16,800
Issue of shares on exercise of share options	136	19,117	-	-	-	(4,449)	-	-	-	-	14,804
Share-based payments	-	-	-	-	-	1,809	-	-	-	-	1,809
Share options forfeited	-	-	-	-	-	(85)	-	-	85	-	-
Dividends paid	-	-	-	-	-	-	-	-	(1,247)	(10,187)	(11,434)
Changes in equity for the period	776	102,908	-	-	(3,232)	(2,725)	(236)	-	29,202	(10,187)	116,506
At 30 June 2013	6,909	751,535	(52,040)	2,951	(59,258)	13,464	31	28,968	298,221	-	990,781

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(125,710)	6,963
Purchases of property, plant and equipment	(20,523)	(53,427)
Dividends received from an associate	29,564	–
Other investing cash flows (net)	247	384
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	9,288	(53,043)
Bank loans raised	100,000	95,530
Repayment of bank loans	(66,000)	(60,100)
Proceeds from issue of shares on exercise of share options	14,804	–
Net proceeds from issue of shares on subscription	67,395	–
Proceeds from issue of shares on exercise of warrants	16,800	–
Dividends paid	(11,434)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	121,565	35,430
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,143	(10,650)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	108,125	70,261
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(983)	659
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	112,285	60,270
Bank and cash balances	105,515	59,137
Pledged bank deposits (mature in three months or less)	6,770	1,133
	112,285	60,270

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

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 2012 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 2012.

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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

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

a. Amendments to HKAS 1 “Presentation of Financial Statements” (Continued)

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

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

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group has four reportable segments as follows:

- Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials.
- Fabrication of oil and gas facilities and oil and gas processing skid equipment.
- Civil engineering business.
- 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 2013

3. SEGMENT INFORMATION (Continued)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	Fabrication of oil and gas facilities and oil and gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Six months ended 30 June 2013					
Revenue from external customers	41,602	307,458	-	21,694	370,754
Segment profit	6,276	92,114	-	5,554	103,944
At 30 June 2013:					
Segment assets	50,412	770,948	-	30,230	851,590
Segment liabilities	22,913	188,433	-	39,038	250,384
Six months ended 30 June 2012					
Revenue from external customers	45,134	170,149	-	29,779	245,062
Segment profit	12,755	38,149	88	4,989	55,981
At 31 December 2012:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	44,194	584,167	-	18,672	647,033
Segment liabilities	23,120	168,801	-	24,225	216,146

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	103,944	55,981
Unallocated amounts:		
Other income	291	683
Finance costs	(7,109)	(5,545)
Other corporate expenses	(59,608)	(41,916)
Share of profits of an associate	6,906	12,405
Consolidated profit before tax for the period	44,424	21,608

4. OTHER INCOME

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Gain on disposal of property, plant and equipment	-	47
Finance income from finance lease	-	50
Interest income	247	143
Net foreign exchange gains	-	407
Sundry income	44	36
	291	683

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

5. FINANCE COSTS

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest on bank loans	4,800	4,673
Net foreign exchange losses	654	–
Others	1,655	872
	7,109	5,545

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	657	1,204
Under provision in prior periods	15	612
	672	1,816
Deferred tax	13,388	(315)
	14,060	1,501

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong.

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.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

6. INCOME TAX EXPENSE (Continued)

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.

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Allowance for trade receivables	1,737	–
Allowance for gross amount due from customers for contract work	1,808	–
Amortisation of intangible assets	441	436
Amortisation of prepaid land lease payment	32	32
Depreciation	9,216	6,808
Directors' emoluments		
– As directors	240	240
– For management	1,853	1,622
– Share-based payments	120	137
	2,213	1,999
Loss on disposal of property, plant and equipment	127	43

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

8. DIVIDENDS

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Final dividend for the year ended 31 December 2012 approved and paid – HK\$0.02 per ordinary share	11,434	–

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	30,364	20,107
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	654,023,035	622,799,278
Effect of dilutive potential ordinary shares arising from share options	16,333,108	–
Effect of dilutive potential ordinary shares arising from warrants	13,692,443	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share calculation	684,048,586	622,799,278

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

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

9. EARNINGS PER SHARE (Continued)

Diluted earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme and the number of diluted potential ordinary shares granted in relation to the warrants issued during the year ended 31 December 2012.

There are no dilutive potential ordinary shares for the period ended 30 June 2012.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately RMB20,523,000 (six months ended 30 June 2012: RMB53,427,000).

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with contract customers are mainly on credit. The credit terms other than retentions receivable generally range from 30 to 60 days. The credit terms for retentions receivable generally range from 12 to 18 months after the completion of the contracts. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 to 30 days	55,000	70,503
31 to 90 days	31,459	30,302
91 to 365 days	24,507	6,323
Over 365 days	5,904	6,032
	116,870	113,160

12. TRADE AND BILLS PAYABLES

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 to 30 days	40,869	77,582
31 to 90 days	26,146	23,948
91 to 365 days	107,062	34,402
Over 365 days	7,489	6,564
	181,566	142,496

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

13. SHARE CAPITAL

	<i>Note</i>	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At 1 January 2012, 31 December 2012 and 1 January 2013 (Audited)			
		700,000,000	7,000
Creation of additional ordinary shares	<i>(a)</i>	800,000,000	8,000
<hr/>			
At 30 June 2013 (Unaudited)		1,500,000,000	15,000

	<i>Note</i>	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 2012 (Audited)				
		622,799,278	6,228	6,084
Issue of shares on placement	<i>(b)</i>	6,000,000	60	49
<hr/>				
At 31 December 2012 and 1 January 2013 (Audited)				
		628,799,278	6,288	6,133
Exercise of warrants	<i>(c)</i>	30,000,000	300	240
Exercise of share options	<i>(d)</i>	16,975,000	170	136
Issue of shares on subscription	<i>(e)</i>	50,000,000	500	400
<hr/>				
At 30 June 2013 (Unaudited)		725,774,278	7,258	6,909

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

13. SHARE CAPITAL (Continued)

Note:

- (a) By an ordinary resolution passed at an Extraordinary General Meeting held on 26 April 2013 the authorised ordinary share capital of the Company was increased from HK\$7,000,000 to HK\$15,000,000 by the creation of 800,000,000 shares of HK\$0.01 each, such new shares ranking *pari passu* in all respects with the existing shares of the Company.
- (b) On 11 September 2012, the Company and President Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 6,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.6 per share. The placement was completed on 25 September 2012 and the premium on the issue of shares, amounting to approximately RMB2,795,000, net of share issue expenses, was credited to the Company's share premium account.
- (c) Warrants were exercised by the warrant holders during the six months ended 30 June 2013 to subscribe for a total of 30,000,000 ordinary shares in the Company at total consideration of HK\$21,000,000, equivalent to RMB16,800,000 of which RMB240,000 was credit to share capital and the balance of RMB16,560,000 was credited to the share premium account. RMB236,000 has been transferred from the warrants reserve to the share premium account.
- (d) Share options were exercised by option holders during the six months ended 30 June 2013 to subscribe for a total of 16,975,000 ordinary shares in the Company at total consideration of HK\$18,506,000, equivalent to RMB14,804,000 of which RMB136,000 was credit to share capital and the balance of RMB14,668,000 was credited to the share premium account. RMB4,449,000 has been transferred from the share-based payment reserve to the share premium account.
- (e) On 10 May 2013, Cheung Hing Investments Limited (the immediate parent of the Company and is wholly-owned by Mr. Wang Lishan, who is the chairman and an executive director of the Company) ("Cheung Hing") entered into the placing and subscription agreement with the Company, and Oriental Patron Securities Limited (the "Placing Agent") pursuant to which (i) Cheung Hing has agreed to place and the Placing Agent has agreed to procure the placing of maximum 50,000,000 existing shares of the Company, to not less than six independent placees at HK\$1.73 per share. (the "Placing") (ii) Cheung Hing has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue shares which are equal to the number of the shares places under the Placing at HK\$1.73 per subscription share. (the "Subscription")

The Placing was completed on 13 May 2013 and 50,000,000 existing shares of the Company were placed by Cheung Hing through the Placing Agent to not less than six placees.

The Subscription was completed on 23 May 2013 and 50,000,00 ordinary shares of the Company of HK\$0.01 each were allotted and issued to Cheung Hing. The premium on the issue of shares, amounting to approximately RMB66,995,000, net of share issue expenses, was credited to the Company's share premium account.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

14. 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	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Contract revenue and trading income received/receivable from a related company, Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore")	(a) 33,266	28,736

- (a) Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company.

15. 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 progress of completion of such projects. Therefore, the Group is unable to forecast the trend of seasonality and its impact to the Group's financial results.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

16. CAPITAL COMMITMENTS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	1,048	8,846

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2013 (At 31 December 2012: Nil).

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2013.

Management Discussion and Analysis

1. BUSINESS REVIEW

Benefited by the manufacturing capacity expansion of our Zhuhai site and effective marketing effort, the revenue from the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased significantly in the first half of the year, which led to the Group's turnover and profit achieving remarkable growth compared to the corresponding period of last year. During the period, besides continuing development of existing products, the Group has been working with universities and research institutions to perform research and develop high performance oil, water and gas treatment device. The acquired technologies have successfully applied to some projects, which effectively lowered cost as compared with using similar foreign engineering and products. The Group has also used some core components developed by itself in some strategic projects. Technological advance enables the Group to maintain its advantage in the market and avoid low-end competition. In the first half of the year, the Group obtained a contract of a comprehensive oilfield renovation project including renovation of equipments and facilities as well as supplying of a series of Compact Floatation Units and other oil and water treatment equipments. This comprehensive and complex project requires multidisciplinary professional works and high standards in safety, quality and overall operation, which fully reflected the recognition of our key customers to the Group's comprehensive strength. The Group further strengthened development in the overseas markets during the period by setting up offices in America and South East Asia to better use the local talents and track the relevant business opportunities.

Turnover

The Group recorded a turnover of approximately RMB370,754,000 in the first half of year 2013, representing an increase of RMB125,692,000 or 51.29% compared with the corresponding period of last year. In which, turnover from the Group's major business of fabrication of oil and gas facilities and oil and gas processing skid equipment increased by RMB137,309,000 or 80.70% compared with the corresponding period of last year. Turnover from the provision of technical support services for shipbuilding industry business has decreased by RMB8,085,000 or 27.15% and turnover from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has decreased by RMB3,532,000 or 7.83% compared with the corresponding period of last year respectively.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued) Turnover (Continued)

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2011, 2012 and 2013:

Product/service	For the six months ended 30 June					
	2013		2012		2011	
	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	41,602	11	45,134	18	46,977	22
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	307,458	83	170,149	70	125,855	60
3. Provision of technical support services for shipbuilding industry	21,694	6	29,779	12	36,130	18
4. Civil engineering business	-	-	-	-	-	-
Total	370,754	100	245,062	100	208,962	100

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Cost of Sales and Services

In the reporting period, cost of sales and services of the Group amounted to approximately RMB266,810,000, representing an increase of RMB77,729,000 or 41.11% compared with corresponding period of last year. Cost of sales and services comprised of direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB245,176,000, representing 91.89% of total cost of sales and services, and an increase of RMB73,627,000 or 42.92% from RMB171,549,000 in the corresponding period of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis, while the composition of cost differs for each project, therefore the composition of cost of sales and services varies from project to project. Manufacturing overheads has increased by RMB4,102,000 or 23.4% from RMB17,532,000 in the corresponding period of last year to approximately RMB21,634,000 in current period.

Gross Profit

The total gross profit of the Group amounted to approximately RMB103,944,000 for the reporting period, representing an increase of RMB47,963,000 or 85.68% compared with RMB55,981,000 in the corresponding period of last year. The overall gross profit margin increased to 28.04% from 22.84% in the corresponding period of last year. Due to increase in labour cost and change in business structure, the gross profit margin in our different business segments changed in different manner in current period.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Gross Profit (Continued)

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2011, 2012 and 2013:

Product/service	2013		For the six months ended 30 June						
	Gross profit	Percentage	2012			2011			
	RMB'000	% of total gross profit	Gross profit	Percentage	of total	Gross profit	Percentage	of total	
	RMB'000	%	RMB'000	%	gross profit	RMB'000	%	gross profit	
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	6,276	15	6	12,755	28	22	21,591	46	41
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	92,114	30	89	38,149	22	68	22,818	18	44
3. Provision of technical support services for shipbuilding industry	5,554	26	5	4,989	17	9	7,957	22	14
4. Civil engineering business	-	-	-	88	n/a	1	7	n/a	1
Total	103,944	100		55,981		100	52,373		100

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Administrative Expenses

Administrative expenses of the Group amounted to approximately RMB59,214,000 for the first half of the year 2013, representing an increase of RMB17,396,000 compared with corresponding period of last year. The increase was mainly due to increase in staff wages and social insurance premiums as the Group put great effort to recruit talents with research and development and design skill in order to accelerate the development of core technology and engineering capacity. In addition, bad debt provision was made for some long term receivables, and active market development led to increase of related expense.

Finance Costs

Finance costs of the Group amounted to approximately RMB7,109,000 for the reporting period. Finance costs mainly comprised of bank loan interest and bank charges.

Share of Profits of an Associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"). As the workload and project quantities of Penglai Jutal for the reporting period has a decrease over the corresponding period of last year, and an increase in the cost, its earnings decreased compared with the corresponding period of last year. In the first half of year 2013, Penglai Jutal recorded net profit of approximately RMB23,019,000 and the Group's share of profits from Penglai Jutal amounted to approximately RMB6,906,000 under the equity method of accounting.

Profit for the period Attributable to Owners of the Company

In the first half of year 2013, profit attributable to owners of the Group amounted to approximately RMB30,364,000, representing an increase of 51.01% compared with corresponding period of last year. Basic earnings per share attributable to owners of the Group are approximately RMB0.046.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Liquidity and Financial Resources

As at 30 June 2013, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB112,285,000 (31 December 2012: RMB108,125,000). During the period, net cash outflow from operating activities amounted to approximately RMB125,710,000, net cash inflow from investing activities amounted to approximately RMB9,288,000 (among it, cash received by profit distribution from Penglai Jutal of approximately RMB29,564,000 and approximately RMB20,276,000 used in other investing activities including purchasing equipments and plant construction), and net cash inflow from financing activities amounted to approximately RMB121,565,000.

As at 30 June 2013, the Group had banking facilities of approximately RMB327,800,000, of which approximately RMB246,690,000 was utilized and approximately RMB81,110,000 was unutilized. As at 30 June 2013, short term bank loans of the Group amounted to approximately RMB160,000,000.

Capital Structure

In the reporting period, the Group top-up placed 50,000,000 ordinary shares at the price of HK\$1.73 per share. In addition, 30,000,000 ordinary shares were issued by exercising 30,000,000 out of 34,000,000 warrants that were placed last year, and 16,975,000 ordinary shares were issued by exercising share options under the Company's share option scheme. As at 30 June 2013, the share capital of the Company comprised of 725,774,278 ordinary shares (31 December 2012: 628,799,278 ordinary shares).

As at 30 June 2013, the net assets of the Group amounted to approximately RMB990,781,000 (31 December 2012: RMB874,275,000), comprising non-current assets of approximately RMB844,476,000 (31 December 2012: RMB859,800,000), net current assets of approximately RMB182,680,000 (31 December 2012: RMB38,586,000) and non-current liabilities of approximately RMB36,375,000 (31 December 2012: RMB24,111,000).

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Significant Investment

The Group has made relevant preparation for the construction of phase III of Zhuhai site in the reporting period. Construction of phase III of Zhuhai site will commence in the second half of year 2013 with an estimated total investments of approximately RMB80,000,000 and expected to be completed and put into use in the first half of year 2014.

Foreign Exchange Risk

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are priced in currencies other than RMB. Fluctuation of RMB against other currencies like 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 priced 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. The Group did not enter into any high risk derivatives trading and leveraged foreign exchange contracts for the six months ended 30 June 2013.

Assets Pledged by the Group

As at 30 June 2013, a piece of land located in Zhuhai and certain of its building structures and plant with aggregate carrying amount of RMB224,349,000 were pledged to a commercial bank in China for better financing conditions. The bank deposits of approximately RMB7,087,000 were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

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.

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

The gearing ratios at 30 June 2013 and at 31 December 2012 were as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank loans	160,000	126,000
Total equity	990,781	874,275
Gearing ratio	16.15%	14.41%

Employees and Remuneration Policy

As at 30 June 2013, the Group had total 3,531 employees (31 December 2012: 2,979), of which 628 (31 December 2012: 567) were management and technical staff, and 2,903 (31 December 2012: 2,412) were technicians. Total staff cost for the reporting period was approximately RMB108,910,000.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Employees and Remuneration Policy (Continued)

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

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

2. FUTURE OUTLOOK

In the second half of the year, the Group will continue to focus on the market development, actively promote the strategic businesses, put emphasis on key projects while strengthening the resources integration and coordination among business segments to further improve the management efficiency, lower cost and ensure better performance. Based on the progress of current projects and the expected growth in the future, the Group will commence the construction of phase III of Zhuhai site to further increase the Group's production capacity.

Directors Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2013.

SHARE OPTION

The Company's share option scheme ("Share Option Scheme") was adopted on 28 August 2006 by the 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 Share Option Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the board 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 General Scheme Limit of the Share Option Scheme has been refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 49,800,000 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares). The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

Directors Report and Corporate Governance

SHARE OPTION (Continued)

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

Details of the options approved by the Board and granted by the Company to Directors and other eligible participants under the Share Option Scheme from 1 January 2007 to 30 June 2013 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 2013	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period		Number of options outstanding as at 30 June 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
								Number of cancelled options during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period		
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	-	2,000,000	0.28%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.14%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.14%
Zhao Wuhui	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	450,000	-	-	-	-	450,000	0.06%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	3,810,000	1,000,000	2.10	-	-	2,810,000	0.39%
Total					8,260,000	1,000,000		-	-	7,260,000	1.00%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period of the options	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 2013	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period		Number of options outstanding as at 30 June 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
								Number of options cancelled during the period	Number of options		
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	-	2,000,000	0.28%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	-	1,200,000	0.16%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	-	1,200,000	0.16%
Zhao Wuhui	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	500,000	-	-	-	-	500,000	0.07%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	9,070,000	1,750,000	1.99	-	-	7,320,000	1.01%
Total					13,970,000	1,750,000		-	-	12,220,000	1.68%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period of the options	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 2013	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 outstanding as at 30 June 2013	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	0.11%
Chen Guocai	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	500,000	2.10	-	300,000	0.04%
Zhao Wuhui	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	300,000	300,000	2.25	-	-	-
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	8,850,000	5,950,000	1.95	-	2,900,000	0.40%
Total					10,750,000	6,750,000		-	4,000,000	0.55%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period of the options	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 2013	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 scheme outstanding as at 30 June 2013	Number of options lapsed in accordance with the terms of the options	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
										Number of options	Number of shares
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	6,500,000	1,100,000	2.06	-	-	5,400,000	0.74%
Total					6,500,000	1,100,000		-	-	5,400,000	0.74%

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 2013	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 outstanding as at 30 June 2013	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	0.14%	
Chen Guocai	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	-	-	-	1,000,000	0.14%	
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	29,100,000	6,375,000	2.15	-	400,000	22,325,000	3.07%
Total					31,100,000	6,375,000		-	400,000	24,325,000	3.35%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(v) Options granted in 2011 (Continued)

Each option granted under the Share Option Scheme 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

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2013, the interests of the Directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in the Listing Rules, were as follows:

(i) The Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (<i>Note 2</i>)	396,911,278 (L) (<i>Note 1</i>)	54.69%
	Share options	4,000,000 (L)	0.55%
Cao Yunsheng	Interest of a controlled corporation (<i>Note 3</i>)	12,000,000(L)	1.65%
	Share options	4,000,000 (L)	0.55%
Chen Guocai	Interest of a controlled corporation (<i>Note 4</i>)	10,000,000 (L)	1.38%
	Share options	3,500,000 (L)	0.48%
Zhao Wuhui	Share options	950,000(L)	0.13%

Directors Report and Corporate Governance

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

(ii) Associated Corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares	Percentage of shareholding in the associated corporation
Wang Lishan	Cheung Hing Investments Limited (Note 5)	Beneficial owner	1 (L)	100%

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 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.
4. The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
5. Cheung Hing Investments Limited in turn owns 1 ordinary share of Prospering Investments Limited (representing 100% shareholding in Prospering Investments Limited), and 1 ordinary share of Gold Designs International Limited (representing 100% shareholding in Gold Designs International Limited).

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at 30 June 2013. Save and except Wang Lishan, director of Cheung Hing Investments Limited, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors Report and Corporate Governance

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested in 5% or more shares or underlying shares which be entered in the register maintained by the Company pursuant to section 336 of the SFO referred to therein:

Name of Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	396,911,278 (L) (Note 1)	54.69%

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, our chairman, director and substantial shareholder of the Company.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the directors of the Company under the Share Option Scheme, no time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Directors Report and Corporate Governance

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

In the reporting period, the Group top-up placed 50,000,000 ordinary shares at the price of HK\$1.73 per share to not less than six placees (which were institutional, corporate and/or individual investors) in accordance with the terms of the Placing and Subscription Agreement dated 10 May 2013. In addition, 30,000,000 ordinary shares were issued by exercising 30,000,000 out of 34,000,000 warrants that were placed last year, and 16,975,000 ordinary shares were issued by exercising share options under the Company's share option scheme.

Saved as disclosed above 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 2013.

CORPORATE GOVERNANCE

The Company had adopted the Corporate Governance Code ("CG 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. The Company has complied with the CG Code during the reporting period.

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 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 four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process 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 2013 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 2012 Annual Report of the Company.

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

Hong Kong, 23 August 2013

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 : 725,774,278
ordinary shares

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

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
Mr. Cao Yunsheng (*CEO*)
Mr. Chen Guocai
Mr. Zhao Wuhui

Independent non-executive directors

Mr. Su Yang
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Gao Liangyu

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Mr. Luk Chi Tong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, Jardine House,
1 Connaught Place,
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:

Gallant Y.T. Ho & Co.
5th Floor, Jardine House,
1 Connaught Place, Hong Kong

As to PRC law:

Commerce & Finance Law Offices
27C, Shenzhen Te Qu Bao Ye Building,
6008 Shennan 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 Nelson Wheeler
Certified Public Accountants
29th Floor,
Caroline Centre, Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

Investor Relations
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10th Floor, Chiwan Petroleum Building
Shekou, Nanshan District
Shenzhen, The PRC 518068
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