



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 : 3303

Interim Report **2008**

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FINANCIAL HIGHLIGHTS

- Turnover was RMB168,725,000, a 23.14% increase over the same period last year.
- Gross profit was RMB35,774,000, a 16.98% increase over the same period last year.
- Profit attributable to equity holders of the Company was RMB23,510,000, a 29.74% increase over the same period last year.
- Basic earnings per share was RMB0.047 for the six months ended 30 June 2008 as compared to RMB0.043 in the same period last year, representing a 9.30 % increase.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2008.

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 2008 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2007. These interim financial information have not been audited, but have been reviewed by the auditor and audit committee of the Company (the "Audit Committee").

INDEPENDENT REVIEW REPORT

RSM Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

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 4 to 19 which comprise the condensed consolidated balance sheet of the Company as at 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 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.

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 Hong Kong Institute of Certified Public Accountants. 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 Hong Kong Accounting Standard 34.

Certified Public Accountants

Hong Kong

19 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June	
		2008 (Unaudited)	2007 (Unaudited)
		RMB'000	RMB'000
Turnover	4	168,725	137,015
Cost of sales and service		(132,951)	(106,433)
Gross profit		35,774	30,582
Other income	5	6,553	2,561
Administrative expenses		(21,022)	(11,351)
Other operating expenses		(113)	(45)
Profit from operations		21,192	21,747
Finance costs	6	(2,168)	(903)
Share of profits of an associate		5,183	–
Profit before tax		24,207	20,844
Income tax expense	7	(697)	(2,723)
Profit for the period attributable to equity holders of the Company		23,510	18,121
Earnings per share	9	RMB	RMB
Basic		4.7CENTS	4.3CENTS
Diluted		4.7CENTS	4.2CENTS
Dividends	10	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	30/06/2008 (Unaudited)	31/12/2007 (Audited)
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	85,768	69,491
Prepaid land lease payments		988	1,025
Goodwill		197,875	211,366
Investment in an associate		135,201	130,018
		419,832	411,900
Current assets			
Inventories		11,889	5,069
Trade receivables	12	42,606	42,527
Gross amount due from customers for contract work		76,343	154,850
Prepayments, deposits and other receivables		51,256	32,379
Due from directors		2,231	238
Due from an associate		77	1,867
Current tax assets		861	–
Pledged bank deposits		2,624	3,346
Bank and cash balances		140,947	148,984
		328,834	389,260
Current liabilities			
Trade and bills payables	13	67,957	93,699
Gross amount due to customers for contract work		3,174	2,762
Accruals and other payables		24,078	86,433
Due to a related company		298	–
Short term bank loans		62,164	–
Convertible loans		59,306	61,896
Current tax liabilities		815	4,091
		217,792	248,881
Net current assets		111,042	140,379
Total assets less current liabilities		530,874	552,279

	Note	30/06/2008 (Unaudited)	31/12/2007 (Audited)
		RMB'000	RMB'000
Non-current liabilities			
Deferred tax liabilities		14,123	17,752
NET ASSETS		516,751	534,527
Capital and reserves			
Share capital	14	5,048	5,048
Reserves		511,703	529,479
TOTAL EQUITY		516,751	534,527

Approved by the Board of Directors

Wang Lishan

Chairman

Chen Guocai

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2008*

	(Unaudited)									
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	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
At 1 January 2007	4,239	229,429	(52,040)	-	(2,205)	-	6,782	57,690	20,750	264,645
Share issue expenses	-	(4,824)	-	-	-	-	-	-	-	(4,824)
Translation difference	-	-	-	-	(4,905)	-	-	-	-	(4,905)
Net expense recognised directly in equity	-	(4,824)	-	-	(4,905)	-	-	-	-	(9,729)
Profit for the period	-	-	-	-	-	-	-	18,121	-	18,121
Total recognised income and expense for the period	-	(4,824)	-	-	(4,905)	-	-	18,121	-	8,392
2006 final dividend paid	-	-	-	-	-	-	-	-	(20,750)	(20,750)
Issue of shares on placement	809	240,397	-	-	-	-	-	-	-	241,206
Recognition of share-based payments	-	-	-	-	-	636	-	-	-	636
	809	240,397	-	-	-	636	-	-	(20,750)	221,092
At 30 June 2007	5,048	465,002	(52,040)	-	(7,110)	636	6,782	75,811	-	494,129

	(Unaudited)									
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	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
At 1 January 2008	5,048	465,002	(52,040)	2,951	(20,416)	1,481	11,632	92,782	28,087	534,527
Translation difference	-	-	-	-	(15,427)	-	-	-	-	(15,427)
Net expense recognised directly in equity	-	-	-	-	(15,427)	-	-	-	-	(15,427)
Profit for the period	-	-	-	-	-	-	-	23,510	-	23,510
Total recognised income and expense for the period	-	-	-	-	(15,427)	-	-	23,510	-	8,083
2007 final dividend paid	-	-	-	-	-	-	-	-	(28,087)	(28,087)
Recognition of share-based payments	-	-	-	-	-	2,228	-	-	-	2,228
	-	-	-	-	-	2,228	-	-	(28,087)	(25,859)
At 30 June 2008	5,048	465,002	(52,040)	2,951	(35,843)	3,709	11,632	116,292	-	516,751

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	14,218	(32,905)
Net cash used in investing activities	(50,653)	(11,770)
Net cash generated from financing activities	34,077	215,510
Net (decrease)/increase in cash and cash equivalents	(2,358)	170,835
Cash and cash equivalents at 1 January	149,725	214,052
Effect of foreign exchange rate changes	(5,878)	(4,899)
Cash and cash equivalents at 30 June	141,489	379,988
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	140,947	379,977
Pledged bank deposits	542	11
	141,489	379,988

Pledged bank deposits can be reconciled to the condensed consolidated balances sheet as follows:

	As at	
	30/6/2008	30/6/2007
	RMB'000	RMB'000
Pledged bank deposits (mature in three months or less)	542	11
Pledged bank deposits (mature after three months)	2,082	1,645
	2,624	1,656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 November 2005 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 September 2006.

This unaudited condensed consolidated interim financial statements was approved by the Board of Directors on 19 September 2008.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

3. ADOPTION OF NEW AND REVISED HKFRSS

In the current interim period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current interim period and prior periods.

4. SEGMENT INFORMATION

Primary reporting format – business segments

Six months ended 30 June 2008 (Unaudited)

	Provision of technical supporting services for oil & gas industry	Fabrication of oil & gas facilities and oil & gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	31,371	72,718	23,092	41,544	-	168,725
Inter-segment sales	-	-	-	-	-	-
Total	31,371	72,718	23,092	41,544	-	168,725
Segment result	5,340	12,707	2,074	15,653	-	35,774

Six months ended 30 June 2007 (Unaudited)

	Provision of technical supporting services for oil & gas industry	Fabrication of oil & gas facilities and oil & gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	35,804	48,707	29,394	23,110	-	137,105
Inter-segment sales	-	-	-	-	-	-
Total	35,804	48,707	29,394	23,110	-	137,105
Segment result	4,865	13,035	5,186	7,496	-	30,582

5. OTHER INCOME

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	RMB'000	RMB'000
Interest income	800	2,530
Net foreign exchange gains	4,796	–
Sundry income	957	31
	6,553	2,561

6. FINANCE COSTS

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	RMB'000	RMB'000
Effective interest expense on convertible loans	1,361	–
Interest on bank loans	581	–
Others	226	903
	2,168	903

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the period	559	358
Over provision in prior years	(59)	–
	500	358
Current tax – PRC Enterprise Income Tax		
Provision for the period	3,802	1,013
Under provision in prior period	20	20
	3,822	1,033
Current tax – Overseas		
Provision for the year	3	31
Over provision in prior years	–	–
	3	31
Deferred tax	(3,628)	1,301
	697	2,723

- (i) Hong Kong Profits Tax has been provided at a rate of 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

7. INCOME TAX EXPENSE (Continued)

- (ii) 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.
- (iii) Income tax expense on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. EXPENSES BY NATURE

Expenses included in cost of sales and services, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	3,074	1,800
Amortisation of prepaid land lease payment	37	40
Directors' emoluments		
– As directors	240	240
– For management	1,247	968
– Share-based payments	702	278
	2,189	1,486
Staff costs including directors' emoluments		
Salaries, bonus and allowances	39,072	25,912
Retirement benefits scheme contributions	1,150	936
Share-based payments	2,228	636
	42,450	27,484

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	23,510	18,121
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	498,000,000	425,546,961
Effect of dilutive potential ordinary shares arising from share options outstanding	–	1,776,238
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	498,000,000	427,323,199
	<i>RMB cents</i>	<i>RMB cents</i>
Basic earnings per share	4.7	4.3
Diluted earnings per share	4.7	4.2

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

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company, and 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. There are no dilutive potential ordinary shares for the period ended 30 June 2008.

10. DIVIDENDS

The directors of the Company do not recommend payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

On 23 June 2008, a final dividend for the year ended 31 December 2007 of HK\$0.06 per ordinary share was paid and have been reflected as appropriations of retained profits for the six months ended 30 June 2008.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB136,000 for proceeds of RMB42,000, resulting in a loss on disposal of RMB94,000.

During the period, the Group acquired property, plant and equipment at a total cost of RMB19,497,000.

12. TRADE RECEIVABLES

The Group's trading terms with other 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 senior management.

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

	30/6/2008	31/12/2007
	(Unaudited)	(Audited)
	RMB'000	RMB'000
0 to 30 days	15,533	27,616
31 to 90 days	17,519	5,060
91 to 365 days	5,073	3,867
Over 365 days	4,481	5,984
	42,606	42,527

13. TRADE AND BILLS PAYABLES

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

	30/6/2008 (Unaudited)	31/12/2007 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	30,465	63,456
31 to 90 days	12,623	16,085
91 to 365 days	20,865	13,494
Over 365 days	4,004	664
	67,957	93,699

14. SHARE CAPITAL

	Number of shares	Amount
		<i>HK\$'000</i>

Authorised:

Ordinary shares of HK\$0.01 each at 31 December 2007 and 30 June 2008	700,000,000	7,000
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	Number of shares	Amount	Equivalent to amount
		<i>HK\$'000</i>	<i>RMB'000</i>

Issued and fully paid:

Ordinary shares of HK\$0.01 each at 31 December 2007 and 30 June 2008	498,000,000	4,980	5,048
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15. SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Scheme") adopted on 28 August 2006. The Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group.

	Date of grant	Vesting period	Exercise period	Exercise price
				<i>HK\$</i>
2007A	16 March 2007	16 March 2007 to 15 March 2008	16 March 2008 to 15 March 2017	1.68
2007B	16 March 2007	16 March 2007 to 15 March 2009	16 March 2009 to 15 March 2017	1.68
2008A	12 March 2008	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12 March 2008	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62

Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the period are as follows:

	Number of share options	Weighted average exercise price
		<i>HK\$</i>
Outstanding at the beginning of the period	11,460,000	1.68
Granted during the period	20,370,000	1.62
Forfeited during the period	–	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period	31,830,000	1.64
Exercisable at the end of the period	5,730,000	1.68

15. SHARE-BASED PAYMENTS (Continued)

The options outstanding at the end of the period have a weighted average remaining contractual life of 9.3 years (at 31 December 2007: 9.2 years) and the exercise price range from HK\$1.62 – HK\$1.68 (at 31 December 2007: HK\$1.68). During the six months ended 30 June 2008, options were granted on 12 March 2008. The estimated fair value of these share options at grant date are HK\$7,534,780. For the year ended 31 December 2007, options were granted on 16 March 2007. The estimated fair values of these options at grant date are HK\$2,863,000.

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	30 June 2008	31 December 2007
	<i>HK\$</i>	<i>HK\$</i>
Grant date share price	1.60	1.65
Exercise price	1.62	1.68
Expected volatility	54.76% – 62.55%	26.52% – 29.51%
Expected life	1-2 years	1-2 years
Risk free rate	1.03% – 1.225%	3.912% – 3.928%
Expected dividend yield	3.75%	–

Expected volatility was based on the historical volatility of the share prices of comparable companies over the periods that are equal to the expected lives before the grant date.

16. CAPITAL COMMITMENTS

At 30 June 2008, the Group had total capital commitments approximately RMB3,696,000, principally for the construction and purchases of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

In the first half of 2008, the Group focused on the growth of the existing businesses. Upon the phase I of Zhuhai new fabrication site putting into operation, the Group has preliminarily completed infrastructures to support greater development of the oil and gas equipment fabrication business. As a result, market development and project management became the Group's working priorities during the first half of 2008. The Group restructured its organization and enhanced the management of project bidding and funds to maintain the smooth development of its businesses.

Turnover

In the first half of 2008, the Group's turnover amounted to RMB168,725,000, an increase of RMB31,710,000 or 23.14% from RMB137,015,000 in the corresponding period last year. The increase in turnover was mainly attributable to the fabrication of oil and gas facilities as well as oil and gas processing skid equipment, and the provision of technical support services for the shipbuilding industry. Benefiting from the Group's efforts in market development in China and overseas, launch of additional products as well as utilization of the Zhuhai phase I site and the equipment there, turnover from the fabrication of oil and gas facilities as well as oil and gas processing skid equipment rose from RMB48,707,000 in the corresponding period last year to RMB72,718,000, an increase of RMB24,011,000 or approximately 49.30% compared with the corresponding period last year; turnover from the provision of technical support services for the shipbuilding industry rose from RMB23,110,000 in the corresponding period last year to RMB41,544,000, an increase of RMB18,434,000 or approximately 79.77% compared with the corresponding period last year. Turnover from the provision of technical supporting services for the oil and gas industry and civil engineering business decreased to a certain extent from the corresponding period last year. Turnover from the provision of technical supporting services for the oil and gas industry decreased from RMB35,804,000 in the corresponding period last year to RMB31,371,000, a decrease of RMB4,433,000 or approximately 12.38%; turnover from the civil engineering business decreased from RMB29,394,000 in the corresponding period last year to RMB23,092,000, a decrease of RMB6,302,000 or approximately 21.44%.

The table below shows the breakdown of turnover elements by product or by service for the six months ended 30 June 2006, 2007 and 2008:

Product/service	For the six months ended 30 June					
	2008		2007		2006	
	<i>Percentage of total turnover</i>		<i>Percentage of total turnover</i>		<i>Percentage of total turnover</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
1. Provision of technical supporting services for oil & gas industry	31,371	18	35,804	26	27,786	25
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	72,718	43	48,707	36	44,038	40
3. Provision of technical support services for shipbuilding industry	41,544	25	23,110	17	19,222	17
4. Civil engineering business	23,092	14	29,394	21	20,337	18
Total	168,725	100	137,015	100	111,383	100

Cost of sales and service

The Group's cost of sales and services for the six months ended 30 June 2008 amounted to RMB132,951,000, an increase of RMB26,518,000 or approximately 24.92% from RMB106,433,000 in the corresponding period last year. Cost of sales and service comprised direct and overhead costs. The Group calculates cost of sales on an order-by-order basis for projects, and the cost elements of each project differ from one another, therefore the cost of sales and services varies from project to project. The direct cost in the first half of 2008 amounted to RMB116,289,000, representing 87.47% of the cost of sales and service, and an increase of RMB24,787,000 or approximately 27.09% from RMB91,502,000 in the corresponding period last year. Direct cost mainly consists of costs of materials, subcontracting costs and labour costs. The costs of these three elements were RMB25,791,000, RMB38,930,000 and RMB15,014,000 respectively during the first half of 2007, which accounted for 28.19%, 42.55% and 16.41% of the direct cost respectively, and the costs of these three elements were RMB44,246,000, RMB26,937,000 and RMB22,090,000 respectively during the first half of 2008, which accounted for 38.05%, 23.16% and 19.00% of the direct cost respectively. Costs of materials and labour costs increased by 9.86 and 2.59 percentage point respectively and subcontracting costs fell by 19.39 percentage point compared with the corresponding period last year. The increase in the costs of materials and labour costs and the substantial fall in the subcontracting costs were mainly attributable to the substantial increase in the number of the Group's employees and the commencement of the operation of the Zhuhai phase I site and the auxiliary equipment there so that a lot of projects which previously required to be subcontracted now were completed by the Group itself, resulting in an increase in the costs of materials and labour costs but a fall in the subcontracting costs. In addition, the decrease in turnover from the civil engineering business which having a high proportion of subcontracting costs resulted in a substantial fall in major subcontracting costs as well. Due to the expansion of production capacity, the overhead costs increased by RMB3,314,000 to RMB16,663,000 in the first half of 2008 from RMB13,349,000 in the corresponding period last year, an increase of approximately 24.83%. The increase in overhead costs was mainly attributable to the salaries of plant management and technical staff, depreciation cost and leasing expenses. The increase in the number of employees and the rise in the level of salaries increased salaries expense by RMB1,153,000. The commencement of the operation of the Zhuhai phase 1 site and the equipment there increased depreciation cost by RMB1,185,000. The increase in the leasing of the Zhuhai site and automobiles increased the leasing expenses by RMB724,000.

Gross profit

The Group's total gross profit in the first half of 2008 increased by RMB5,192,000 from RMB30,582,000 in the corresponding period last year to RMB35,774,000. The overall gross profit margin fell slightly from 22.32% in the corresponding period last year to 21.20%. Specifically speaking, the gross profit margins on the provision of technical supporting services for the oil and gas industry and the provision of technical support services for the shipbuilding industry rose at different degrees from the corresponding period, while the gross profit margins on the fabrication of oil and gas facilities as well as oil and gas processing skid equipment fell by ten percentage points as a result of an appreciation of Renminbi and a significant rise in the prices of major raw materials. The gross profit margins on the civil engineering business fell by nine percentage points as a result of a rise in the local installation and subcontracting costs in Hong Kong.

The table below shows the breakdown of gross profit by product or service for the six months ended 30 June 2006, 2007 and 2008:

Product/service	For the six months ended 30 June								
	2008			2007			2006		
	Gross Percentage			Gross Percentage			Gross Percentage		
	RMB'000	margin %	of total gross profit	RMB'000	margin %	of total gross profit	RMB'000	margin %	of total gross profit
1. Provision of technical supporting services for oil & gas industry	5,340	17	15	4,865	14	16	8,097	29	30
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	12,707	17	36	13,035	27	43	7,589	17	28
3. Provision of technical support services for shipbuilding industry	15,653	38	43	7,496	32	24	5,865	31	22
4. Civil engineering business	2,074	9	6	5,186	18	17	5,172	25	20
Total	35,774		100	30,582		100	26,723		100

Other income

Other income of the Group for the first half of 2008 increased from RMB2,561,000 in the corresponding period last year to RMB6,553,000, mainly comprising an interest income of RMB800,000, net foreign exchange gains of RMB4,796,000, a tax refund income of RMB901,000 from reinvestments.

Administrative expenses

For the six months ended 30 June 2008, the Group's administrative expenses totalled RMB21,022,000, mainly comprising management staff's remuneration of RMB10,114,000 (including wages of RMB7,028,000, employees' social insurance of RMB858,000 and expenses of RMB2,228,000 involved in the grant of share options to the management), entertainment expenses of RMB1,796,000, accommodation and traveling expenses of RMB1,787,000, depreciation expenses of RMB846,000, lease expenses of RMB943,000 and bad debt provisions of RMB1,151,000. The total expenses increased by RMB9,671,000 from RMB11,351,000 in the corresponding period last year. The increase in expenses was mainly attributable to the commencement of operation of two new companies (Zhuhai Jutal and Dalian Jutal which commenced operation in the second half of 2007, administrative expenses of these two companies totalled RMB3,797,000 in the first half of 2008); an increase in the number of management staff; a rise in the level of salaries and a substantial rise in wages and staff benefits as a result of the grant of share options; as well as a substantial rise in accommodation and traveling expenses, entertainment expenses, automobile expenses and other expenses as result of the aggressive efforts in the expansion of the Chinese domestic and overseas markets. Specifically speaking, expenses with a substantial increase were wages and staff benefit expenses which increased by RMB5,374,000 (including an increase of RMB1,592,000 in the expenses involved in the grant of options to the management) from the corresponding period last year; accommodation and traveling expenses which increased by RMB1,123,000; and bad debt provisions for overdue receivables which amounted to RMB1,151,000.

Finance cost

In the first half of 2008, the Group's finance cost increased from RMB903,000 in the corresponding period last year to RMB2,168,000, mainly comprising effective interest expense on convertible loans of RMB1,361,000, bank loans interest of RMB581,000 and bank charges of RMB226,000. Effective interest expenses on convertible loans are non cash expense.

Net profit

For the six months ended 30 June 2008, the Group achieved a net profit of RMB23,510,000, an increase of 29.74% from RMB18,121,000 in the corresponding period last year. Of this profit, an investment gain of RMB5,183,000 was contributed by Stand Success Limited (which holds a 30% equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd.).

Basic earnings per share was RMB0.0472.

Liquidity and financial resources

As at 30 June 2008, the Group's balance of working funds (cash plus bank deposits) amounted to approximately RMB141,489,000 (31 December 2007: RMB149,725,000). The Group's current ratio (current assets/current liabilities) was 1.51 (31 December 2007: 1.56).

As at 30 June 2008, the Group obtained banking facilities totalling RMB115,200,000, of which banking facilities totalling RMB83,266,000 was utilized and banking facilities of approximately RMB31,934,000 remained unutilized. These facilities may be applied for liquidity loans, letters of credit and letters of guarantee and so on.

Capital structure

As at 30 June 2008, the Company's share capital comprised 498,000,000 ordinary shares (as at the end of 2007: 498,000,000 ordinary shares). The Company has issued the redeemable non-interest bearing convertible bonds, matured on 6 September 2008, in an aggregate principal amount of HK\$68,000,000 to Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial shareholder. The convertible bonds carry the rights to convert into maximum 17,085,427 Shares at the price of HK\$3.98 per share, subject to adjustment. As at 30 June 2008, the convertible bonds remain outstanding and has not been converted into any share of the Company. However, the Company has redeemed the convertible bonds after its maturity in September and Prospering Investments Limited has not exercised any conversion rights of the convertible bonds.

As at 30 June 2008, the Group's net assets amounted to approximately RMB516,751,000 (31 December 2007: RMB534,527,000), comprising non-current assets of approximately RMB419,832,000 (31 December 2007: RMB411,900,000), net current assets of approximately RMB111,042,000 (31 December 2007: RMB140,379,000) and non-current liabilities of approximately RMB14,123,000 (31 December 2007: RMB17,752,000).

Material acquisition and investment

To cope with the needs for the development of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. (hereinafter, "Penglai Jutal"), the Company convened a board meeting on 8 April 2008, at which a resolution was passed on an increase of US\$4,800,000 in the capital of Penglai Jutal. Upon completion of the capital increase, the Group continues to hold a 30% equity interest in Penglai Jutal. As at 30 June 2008, the Group had paid the aforesaid US\$4,800,000 in full to Penglai Jutal.

Moreover, the Group is also identifying companies within the industry which are similar or complementary to the business of the Group as acquisition targets for enhancing its competitiveness. However, as at the end of the reporting period, the Group had not yet identified any target for acquisition.

Assets pledged by the Group

As at 30 June 2008, other than the bank deposit of RMB2,624,000 pledged as the security deposit for the issue of performance bonds, letters of credit and bank acceptance drafts, the Group did not have other pledged assets.

Contingent liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

Important event during the period

Since the operations of Jutal Offshore Oil Services (Zhuhai) Co., Ltd. ("Zhuhai Jutal") are growing rapidly, the Company had been seeking a site to accommodate the future development and operations of Zhuhai Jutal including the construction of factories, the production facilities and installation of machinery and equipments.

On 1 March 2008, Zhuhai Jutal, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with Zhuhai Prospering Offshore Oil Engineering Limited, pursuant to which Zhuhai Prospering Offshore Oil Engineering Limited agreed to lease a piece of land situate at the equipment manufacture area of Gao Lan port Economic Zone in Zhuhai with a total floor area of approximately 67,000.00 sq.m. to Zhuhai Jutal for a term of three years at a rental of RMB30 per sq.m. per annum.

Employees information and remuneration policy

As at 30 June 2008, the total number of employees of the Group was 1,982 (31 December 2007: 1,515), of which 348 (31 December 2007: 312) were management and technical staff, and 1,634 (31 December 2007: 1,203) were technicians.

The Group determines the remuneration and incentive of its staff based on their positions, duties and performance with reference to industry standards. The Group maintains social security insurance such as pension, medical, unemployment and industrial accident insurance for its workers in the PRC pursuant to relevant legislation and contributes to the mandatory provident fund for its employees in Hong Kong pursuant to requirements.

The Group places emphasis on staff development, encourages staff to pursue continuous learning and formulates training programmes for its staff every year.

Outlook

In line with its strategic arrangements for business development, the Group has relocated all of its fabrication departments to the Zhuhai site, and will subsequently continue to carry out project research and planning for the construction of the Zhuhai phase II site. In the second half of the year, the Group will center on market development and large project follow-up and proceeding in particular, and maintain strict controls over costs and expenses for achieving its annual business objectives. The Group is also aggressively seeking opportunities for cooperation with other partners to expand and enhance its capability of engineering service.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2008.

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") 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 total number of Shares which may be issued upon exercise of all options to be granted under this Share Option Scheme must not, in aggregate, exceed 40,000,000 shares, representing 10% of the shares in issue on the Listing Date 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.

SHARE OPTION (Continued)

The Board approved to grant and the Company has granted 11,460,000 options to Directors and other eligible participants under the Share Option Scheme during the year ended 31 December 2007 and 20,370,000 options on 12 March 2008 respectively. Details of the options granted under the Share Option Scheme are as follows:

Name of grantee	Date of grant of the options	Exercise period	Closing price of the Shares immediately before the date of granting the options		Number of options as at 1 January 2008	Number of options granted during the period	Number of options exercised during the period	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 2008	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)							
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	-	2,000,000	0.40%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	-	2,000,000	-	-	-	2,000,000	0.40%
Jiang Dong	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	-	1,200,000	-	-	-	1,200,000	0.24%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	-	1,200,000	-	-	-	1,200,000	0.24%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	-	1,200,000	-	-	-	1,200,000	0.24%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	6,460,000	-	-	-	-	6,460,000	1.30%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	-	14,770,000	-	-	-	14,770,000	2.97%
Total					11,460,000	-	-	-	-	11,460,000	2.30%
					-	20,370,000	-	-	-	20,370,000	4.09%

SHARE OPTION (Continued)

Each option granted under the Share Option Scheme during the period gives the holder the right to subscribe for one Share. Although the options granted under the Share Option Scheme during the period has a duration of ten years from the date of grant, they are not fully exercisable within first or the second year from the date of grant (depending on the terms and conditions of the relevant options as set out by the Board upon the granting of the relevant options).

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.

No option has been exercised or lapsed during the period ended 30 June 2008.

CONVERTIBLE BONDS

Pursuant to an agreement concerning the acquisition of Stand Success Resources Limited, the Company issued the redeemable non-interest bearing convertible bonds in an aggregate principal amount of HK\$68,000,000 to Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial shareholder, as part of the consideration. The convertible bonds carry the rights to convert into maximum 17,085,427 Shares at the price of HK\$3.98 per Share, subject to adjustment. The convertible bonds were not listed and physically settled equity derivatives. The convertible bonds have a term of one year from the date of issue and matured on 6 September 2008. The Company has redeemed the convertible bonds after its maturity in September and Prospering Investments Limited has not exercised any conversion rights of the convertible bonds.

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

As at 30 June 2008, 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 Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(i) The Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	287,297,427(L) (Note 1)	57.69%
	Share options	4,000,000(L)	0.8%
Jiang Dong	Interest of a controlled corporation (Note 3)	18,000,000(L)	3.62%
	Share options	2,200,000(L)	0.44%
Chen Guocai	Interest of a controlled corporation (Note 4)	10,000,000(L)	2.01%
	Share options	2,200,000(L)	0.44%
Cao Yunsheng	Interest of a controlled corporation (Note 5)	12,000,000(L)	2.41%
	Share options	2,200,000(L)	0.44%

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	Beneficial owner	1(L)	100%

Notes:

1. The letters "L" denote a long position in the Shares.
2. Among the 287,297,427 Shares, 270,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan and 17,085,427 Shares are derivative interests arising from the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial Shareholder. For further details of the convertible bonds, please refer to the section headed "Convertible Bonds".
3. The 18,000,000 shares are held by Right East Investments Limited, which is wholly-owned by Jiang Dong.
4. The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
5. The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.

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

(Continued)

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 2008.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following equities had interests in 5% or more in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO or had an interest or short position in the Shares or underlying Shares 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:

Name of Director	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	270,212,000(L)	54.26%
	Interest of controlled corporation (Note 2)	17,085,427(L)	3.43%
The Hamon Investment Group Pte Limited	Interest of controlled corporation (Note 3)	49,844,000(L)	10.01%
Martin Currie (Holdings) Limited	Interest of controlled corporation (Note 4)	35,372,000(L)	7.1%

Notes:

- The letters "L" denote a long position in the Shares respectively.
- The 270,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, director and substantial share holder of the Company. The 17,085,427 Shares are derivative interests arising from the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a wholly-owned subsidiary of Cheung Hing Investments Limited.
- Among the 49,844,000 Shares, 25,301,000 Shares are held by Hamon Asset Management Limited, which is directly wholly-owned by The Hamon Investment Group Pte Limited, 7,695,000 Shares are held by Hamon U.S. Investment Advisors Limited, which is directly wholly-owned by Hamon Asset Management Limited, and 16,848,000 Shares are held by Hamon Investment Management Limited, which is directly wholly-owned by The Hamon Investment Group Pte Limited.
- Among the 35,372,000 Shares, 15,304,000 Shares are held by Martin Currie Inc., which is indirectly wholly-owned by Martin Currie (Holdings) Limited, and 20,068,000 Shares are held by Martin Currie Investment Management, which is indirectly wholly-owned by Martin Currie (Holdings) Limited.

SUBSTANTIAL SHAREHOLDERS (Continued)

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 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the Directors under the Share Option Scheme and the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a company indirectly owned as to 100% by Mr. Wang Lishan, our chairman, Director and substantial shareholder, no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company has established the 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 and approved the unaudited financial reports of the Group for the period ended 30 June 2008 and is of the opinion that such statements 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) and 3.10(2) 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 2007 Annual Report and the Circular dated 28 April 2008 of the Company.

By Order of the Board

Jutal Offshore Oil Services Limited

Wang Lishan

Chairman

Hong Kong, 19 September 2008

CORPORATE INFORMATION

SHARE INFORMATION

Listing place : Main Board of The Stock
Exchange of Hong Kong
Limited
Stock code : 3303
Listing date : 21 September 2006
Stock name : Jutal Oil Ser
Issued shares : 498,000,000 ordinary shares
Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
Mr. Jiang Dong
Mr. Chen Guocai (*General Manager*)
Mr. Cao Yunsheng

Independent non-executive directors

Mr. Su Yang
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Wang Yu

COMPANY REPRESENTATIVE, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Luk Chi Tong

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