



2011
Interim Report

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

CONTENTS

FINANCIAL HIGHLIGHTS	2
INDEPENDENT REVIEW REPORT	3
CONDENSED CONSOLIDATED INCOME STATEMENT	4
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	19
DIRECTORS REPORT AND CORPORATE GOVERNANCE	25
CORPORATE INFORMATION	34

FINANCIAL HIGHLIGHTS

- Turnover was RMB208,962,000, a 3.35% increase over the same period last year.
- Gross profit was RMB52,373,000, a 9.95% increase over the same period last year.
- Profit attributable to owners of the Company was RMB16,440,000, a 51.88% decrease over the same period last year.
- Basic earnings per share was RMB0.033 for the six months ended 30 June 2011 as compared to RMB0.069 in the same period last year, representing a 52.17% decrease.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2011.

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 2011 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2010. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 2011 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 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 18 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of 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.

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
26 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
		RMB'000	RMB'000
Turnover	3	208,962	202,191
Cost of sales and service		(156,589)	(154,559)
Gross profit		52,373	47,632
Other income	4	581	15,824
Administrative expenses		(34,209)	(27,251)
Other operating expenses		(31)	(671)
Profit from operations		18,714	35,534
Finance costs	5	(1,566)	(2,979)
Share of profits of an associate		1,367	14,044
Profit before tax		18,515	46,599
Income tax expense	6	(2,075)	(11,661)
Profit for the period	7	16,440	34,938
Attributable to:			
Owners of the Company		16,440	34,166
Non-controlling interests		–	772
		16,440	34,938
Earnings per share	9	RMB	RMB
Basic		3.3 CENTS	6.9 CENTS
Diluted		3.3 CENTS	6.9 CENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
Profit for the period	16,440	34,938
Other comprehensive income: Exchange differences on translating foreign operations	(5,257)	(2,458)
Other comprehensive income for the period, net of tax	(5,257)	(2,458)
Total comprehensive income for the period	11,183	32,480
Attributable to:		
Owners of the Company	11,183	31,708
Non-controlling interests	–	772
	11,183	32,480

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	10	92,660	93,906
Prepaid land lease payments		775	809
Goodwill		186,632	191,129
Intangible assets		2,921	3,319
Investment in an associate		264,520	263,153
Finance lease receivables		676	1,351
		548,184	553,667
Current assets			
Inventories		11,743	7,439
Trade and bills receivables	11	87,644	73,353
Gross amount due from customers for contract work		92,446	78,577
Prepayments, deposits and other receivables		23,390	16,510
Finance lease receivables		1,304	1,257
Due from directors		1,059	630
Current tax assets		483	606
Pledged bank deposits		1,554	3,234
Bank and cash balances		87,109	87,989
		306,732	269,595
Current liabilities			
Trade and bills payables	12	57,107	68,654
Gross amount due to customers for contract work		8,886	3,049
Accruals and other payables		34,842	34,540
Due to a related company		503	–
Bank loans		78,259	38,000
Current tax liabilities		1,139	4,291
		180,736	148,534
Net current assets		125,996	121,061
Total assets less current liabilities		674,180	674,728

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities		18,428	18,336
		18,428	18,336
NET ASSETS			
Capital and reserves			
Share capital	13	5,049	5,048
Reserves		650,703	651,344
Equity attributable to owners of the Company		655,752	656,392
Non-controlling interests		–	–
TOTAL EQUITY		655,752	656,392

Approved by the Board of Directors on 26 August 2011

Wang Lishan
Chairman

Cao Yunsheng
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	(Unaudited)											
	Attributable to owners of the Company											
	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	Non-controlling interests	Total equity
RMB'000	RMB'000	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 2010	5,048	465,002	(52,040)	2,951	(36,096)	8,601	22,273	178,823	-	594,562	41,939	636,501
Total comprehensive income for the period	-	-	-	-	(2,458)	-	-	34,166	-	31,708	772	32,480
Share-based payment	-	-	-	-	-	928	-	-	-	928	-	928
Share options forfeited	-	-	-	-	-	(400)	-	400	-	-	-	-
Changes in equity for the period	-	-	-	-	(2,458)	528	-	34,566	-	32,636	772	33,408
At 30 June 2010	5,048	465,002	(52,040)	2,951	(38,554)	9,129	22,273	213,389	-	627,198	42,711	669,909
At 1 January 2011	5,048	465,002	(52,040)	2,951	(43,535)	9,478	24,024	232,765	12,699	656,392	-	656,392
Total comprehensive income for the period	-	-	-	-	(5,257)	-	-	16,440	-	11,183	-	11,183
Shares issued under share option scheme	1	94	-	-	-	(19)	-	-	-	76	-	76
Dividends paid	-	-	-	-	-	-	-	(12,699)	(12,699)	-	-	(12,699)
Share-based payment	-	-	-	-	-	800	-	-	-	800	-	800
Share options forfeited	-	-	-	-	-	(17)	-	17	-	-	-	-
Changes in equity for the period	1	94	-	-	(5,257)	764	-	16,457	(12,699)	(640)	-	(640)
At 30 June 2011	5,049	465,096	(52,040)	2,951	(48,792)	10,242	24,024	249,222	-	655,752	-	655,752

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(27,090)	20,850
Purchases of property, plant and equipment	(3,360)	(3,968)
Proceeds received from disposal of a vessel included in property, plant and equipment	–	55,700
Other investing cash flows (net)	1,289	(5,970)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(2,071)	45,762
Proceeds from issue of shares	76	–
Bank loans raised	53,259	33,000
Repayment of bank loans	(13,000)	(79,370)
Dividends paid to owners of the company	(12,699)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	27,636	(46,370)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,525)	20,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	90,196	38,326
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(733)	(210)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	87,938	58,358

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	87,109	56,586
Pledged bank deposits	829	1,772
	87,938	58,358
Pledged bank deposits can be reconciled to the condensed consolidated statement of financial position as follows:		
Pledged bank deposits (mature in three months or less)	829	1,772
Pledged bank deposits (mature after three months)	725	2,736
	1,554	4,508

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 2010 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 2010 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. 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 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.

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.

3. SEGMENT INFORMATION (Continued)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment (Unaudited)	Civil engineering business (Unaudited)	Provision of technical support services for shipbuilding industry (Unaudited)	Total (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
6 months ended 30 June 2011					
Revenue from external customers	46,977	125,855	–	36,130	208,962
Segment profit	21,591	22,818	7	7,957	52,373

As at 30 June 2011:

Segment assets	39,547	226,304	848	24,185	290,884
----------------	--------	---------	-----	--------	---------

6 months ended 30 June 2010

Revenue from external customers	42,562	130,736	1,215	27,678	202,191
Segment profit	9,222	28,026	1,021	9,363	47,632

As at 31 December 2010: (Audited) (Audited) (Audited) (Audited) (Audited)

Segment assets	30,932	190,699	2,057	20,592	244,280
----------------	--------	---------	-------	--------	---------

Six months ended 30 June

	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
Reconciliations of segment profits:		
Total profit of reportable segments	52,373	47,632
Unallocated amounts:		
Other income	581	15,824
Other corporate expenses	(35,806)	(30,901)
Share of profits of an associate	1,367	14,044
Consolidated profit before tax for the period	18,515	46,599

4. OTHER INCOME

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
Compensation income	–	3,436
Gain on disposal of property, plant and equipment	26	11,170
Finance income from finance lease	97	141
Interest income	261	159
Net foreign exchange gains	193	178
Sundry income	4	740
	581	15,824

5. FINANCE COSTS

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
Interest on bank loans	848	2,159
Others	718	820
	1,566	2,979

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	1,585	4,296
Under provision in prior periods	398	29
	1,983	4,325
Deferred tax	92	7,336
	2,075	11,661

6. INCOME TAX EXPENSE (Continued)

- (a) 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.
- (b) 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.
- (c) 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	
	2011 (Unaudited)	2010 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	4,500	10,307
Amortisation of intangible assets	398	266
Amortisation of prepaid land lease payment	34	34
Directors' emoluments		
– As directors	240	240
– For management	1,730	1,728
– Share-based payments	81	279
	2,051	2,247
Loss on disposal of property, plant and equipment	30	44

8. DIVIDENDS

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend for the year ended 31 December 2010 approved and paid – HK\$0.03 (2009: Nil) per ordinary share	12,699	–

The Board of the Company does not recommend payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	16,440	34,166
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	498,017,000	498,000,000
Effect of dilutive potential ordinary shares arising from share options	1,242,000	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	499,259,000	498,000,000

Basic earnings per share is calculated by dividing the profit attributable to owners 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 owners 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 were no diluted potential ordinary shares for the period ended 30 June 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately RMB3,360,000.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with 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.

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

	30 June 2011 (Unaudited)	31 December 2010 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	52,264	27,530
31 to 90 days	16,084	40,557
91 to 365 days	17,797	3,770
Over 365 days	1,499	1,496
	87,644	73,353

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 2011 (Unaudited)	31 December 2010 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	20,297	31,570
31 to 90 days	11,065	26,948
91 to 365 days	21,726	9,119
Over 365 days	4,019	1,017
	57,107	68,654

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2010, 31 December 2010 and 30 June 2011	700,000,000	7,000

	Note	Number of shares	Amount <i>HK\$'000</i>	Equivalent to amount <i>RMB'000</i>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each at 1 January 2010 and 31 December 2010 (Audited)		498,000,000	4,980	5,048
Shares issued under share option scheme	(a)	100,000	1	1
At 30 June 2011 (Unaudited)		498,100,000	4,981	5,049

Note:

- (a) On 30 May 2011, share options granted under the share option scheme of the Company which was adopted on 28 August 2006 were exercised to subscribe for 100,000 ordinary shares in the Company at a consideration of HK\$92,000, equivalent to RMB76,000 of which RMB1,000 was credit to share capital and the balance of RMB75,000 was credited to the share premium account. RMB19,000 has been transferred from share-based payment reserve to the share premium account.

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	
		2011 (Unaudited) <i>RMB'000</i>	2010 (Unaudited) <i>RMB'000</i>
Subcontracting expenses paid/payable to an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal")	(a)	37,201	24,952
Rental expenses paid/payable to a related company, Zhuhai Prospering Offshore Oil Engineering Company Limited ("Zhuhai Prospering")	(b)	1,005	1,005
Contract revenue received/receivable from a related company, Dalian Shipbuilding Offshore Company Limited ("Dalian Shipbuilding")	(c)	7,580	5,912

14. RELATED PARTY TRANSACTIONS (Continued)

- (a) At 30 June 2011, the balance of RMB10,538,000 (31 December 2010: RMB26,621,000) due to Penglai Jutal in relating to the subcontracting expenses was included in the Group's trade and bills payables.
- (b) A subsidiary of the Group, Jutal Offshore Oil Services (Zhuhai) Company Limited ("Zhuhai Jutal") has entered into a lease agreement with Zhuhai Prospering to lease a piece of land situated at the Equipment Manufacture Area of Gan Lan Port Economic Zone in Zhuhai with a total floor area of approximately 67,000 square meters. The lease term is three years from 1 March 2008 to 28 February 2011.

Zhuhai Prospering is a wholly-owned subsidiary of Firstachieve Group Limited, which in turn is 100 percent beneficially owned by Ms. Wang Wei, spouse of Mr. Wang Lishan, the chairman, an executive director and the ultimate controlling party of the Company.

- (c) Dalian Shipbuilding is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman, an executive director and a 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 on the financial results of the Group.

16. CAPITAL COMMITMENTS

	30 June 2011 (Unaudited)	31 December 2010 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment Contracted but not provided for	47,920	1,717

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 (At 31 December 2010: Nil).

18. EVENT AFTER THE REPORTING PERIOD

On 5 January 2011, Hong Kong Jutal Holdings Limited, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Firstachieve Group Limited, the holding company of Zhuhai Prospering to acquire the entire equity interest of Zhuhai Prospering (the "Acquisition"). The Acquisition was completed on 26 July 2011 and 124,699,278 ordinary shares of the Company were issued as part of the consideration at the same date.

Details of the Acquisition are set out in the Circular of the Company dated 24 January 2011.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first half of the year, the Group has orderly carry out every fabrication and service providing activities, actively implement our development strategy through continuing market exploration, project implementation and development of core competence, and have achieved certain progress on technical research and development, new business and marketing work. Since the end of last year, the Group undertook a series of gas and water processing modules that required for exploitation of overseas oil field, providing one-stop solution for engineering, procurement and construction, that gave a beginning of business model transformation of our oil and gas fabrication services. The total contract value reached to approximately RMB90 million, some orders have been delivered in the first half, and the others will be completed in the second half. After strict review and inspection by our foreign customer, the Group has been selected as the first supplier to undertake the project of the fabrication of undersea facilities due to the excellent production capability and control system of our Zhuhai fabrication site, and the successful implementation of this project has marked a good start for the Group's further development of fabrication of undersea facilities in the future. The research and development centre of the Group continue to introduce technical training, completed the trial production and processing of separator parts as planned, completed offshore platform experiment for the CFU ("Compact Flotation Unit") that researched and developed with overseas partners, the degreasing effect of CFU was remarkable, formed the proprietary technology and research and development capabilities, and has been awarded the South China Sea oil platform project. In the first half of the year, the Group's superior performance in "healthy, safety and environmental protection" aspect was highly recognised by our customers.

Turnover

The Group recorded a total turnover of RMB208,962,000 in the first half of year 2011, representing an increase of RMB6,771,000 or approximately 3.35% compared with the corresponding period in last year. Turnover from the provision of technical support services for shipbuilding industry business has increased by RMB8,452,000 or approximately 30.53% compared with the corresponding period in last year. Turnover from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has increased by RMB4,415,000 or approximately 10.37% compared with the corresponding period in last year. Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business in the first half has decreased by approximately 3.73% compared with the corresponding period in last year because some important projects will mainly be undertaken in the second half.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2009, 2010 and 2011:

Product/service	For the six months ended 30 June					
	2011		2010		2009	
	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	46,977	22	42,562	21	47,239	30
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	125,855	60	130,736	65	65,954	43
3. Provision of technical support services for shipbuilding industry	36,130	18	27,678	13	35,263	23
4. Civil engineering business	-	-	1,215	1	6,286	4
Total	208,962	100	202,191	100	154,742	100

Cost of Sales and Services

Cost of sales and services of the Group for the first half of the year amounted to RMB156,589,000, representing an increase of RMB2,030,000 or 1.31% compared with corresponding period in last year. Cost of sales and services comprised of direct costs and manufacturing overheads. Direct costs in the current period amount to RMB136,734,000, representing 87.32% of total cost of sales and services, and an increase of RMB7,202,000 or approximately 5.56% from RMB129,532,000 in corresponding period in 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 significantly from project to project. Manufacturing overheads has decreased by RMB5,172,000 or approximately 20.67% from RMB25,027,000 in corresponding period in last year to RMB19,855,000 in current period. The decrease in manufacturing overheads is mainly due to decrease in expenses of a subsidiary of the Group, Tianjin Jutal Marine Services Limited ("Jutal Marine").

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Gross Profit

The total gross profit of the Group amounted to RMB52,373,000 for the reporting period, representing an increase of RMB4,741,000 compared with RMB47,632,000 in corresponding period in last year. The overall gross profit margin increased from 23.56% in corresponding period in last year to 25.06% in current period. Due to increase in labour cost and change in business structure, the gross profit margin in our different business sectors changed in different manner in current period. The Group will continue to develop our core competence and strengthen cost control measures so as to raise the gross profit margin of each of our business sectors.

The table below set out the analysis of gross profit/(loss) by product or service for the six months ended 30 June 2009, 2010 and 2011:

Product/service	For the six months ended 30 June								
	2011			2010			2009		
	Gross profit margin %	Percentage of total gross profit		Gross profit margin %	Percentage of total gross profit	Gross profit margin %	Percentage of total gross profit		
	RMB'000			RMB'000		RMB'000			
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	21,591	46	41	9,222	22	19	17,367	37	38
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	22,818	18	44	28,026	21	59	14,018	21	31
3. Provision of technical support services for shipbuilding industry	7,957	22	14	9,363	34	20	18,527	53	41
4. Civil engineering business	7	n/a	1	1,021	84	2	(4,482)	(71)	(10)
Total	52,373		100	47,632		100	45,430		100

Administrative Expenses

Administrative expenses of the Group amounted to RMB34,209,000 for the first half of the year 2011, representing an increase of RMB6,958,000 compared with corresponding period in last year. The increase was mainly due to the acceleration of development of the Group's core technology, put great effort to recruit talents with design and technical skills, increase in specialisation on opening markets on offshore engineering, established procurement management department which strengthen and improve our management of suppliers and subcontractors, and at the same time the Group's active market development activities has led to corresponding increase in entertainment and travelling expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Finance Costs

Finance costs of the Group decreased from RMB2,979,000 in the corresponding period in last year to RMB1,566,000 in the current 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"). In the first half of year 2011, net profit after tax of Penglai Jutal amounted to RMB4,556,000. The Group's share of profits from Penglai Jutal amounted to RMB1,367,000 under the equity method of accounting. The significant decrease in the share of profits from Penglai Jutal during the current period is due to the schedule for the expected projects, the amount of project work was relatively less compared with the corresponding period in last year.

Net Profit Attributable to Owners of the Company

Mainly due to the foregoing impact of the significant decline of the profit from Penglai Jutal, in the first half of year 2011, net profit attributable to owners of the Company amounted to RMB16,440,000, representing a decrease of 51.88% compared with corresponding period in year 2010. Basic earnings per share is RMB0.033.

Working Capital and Financial Resources

As at 30 June 2011, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB87,938,000 (31 December 2010: RMB90,196,000). During the period, cash outflow from operating activities amounted to RMB27,090,000, cash outflow from investing activities amounted to RMB2,071,000, and cash inflow from financing activities amounted to RMB27,636,000.

As at 30 June 2011, the total banking facilities of the Group amounted to RMB226,600,000, of which RMB131,646,000 was utilised and RMB94,954,000 was unutilised. Out of the unutilised banking facilities, RMB13,383,000 was available for raising bank loans. As at 30 June 2011, short term bank loans of the Group amounted to RMB78,259,000.

Capital Structure

As at 30 June 2011, the share capital of the Company comprised of 498,100,000 ordinary shares (31 December 2010: 498,000,000 ordinary shares).

As at 30 June 2011, the net assets of the Group amounted to approximately RMB655,752,000 (31 December 2010: RMB656,392,000), comprising non-current assets of approximately RMB548,184,000 (31 December 2010: RMB553,667,000), net current assets of approximately RMB125,996,000 (31 December 2010: RMB121,061,000) and non-current liabilities of approximately RMB18,428,000 (31 December 2010: RMB18,336,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Material Acquisition and Disposal of Subsidiaries and Associated Companies

On 5 January 2011, an indirect wholly-owned subsidiary of the Company, Hong Kong Jutal Holdings Limited ("Hong Kong Jutal"), has entered into an acquisition agreement with Firstachieve Group Limited (the "Vendor"). Pursuant to the acquisition agreement, Hong Kong Jutal has agreed to purchase and the Vendor has agreed to sell the entire equity interest of Zhuhai Prospering Offshore Oil Engineering Limited ("Zhuhai Prospering"). The consideration of the acquisition is RMB140,500,000 (approximately HK\$163,372,093), and will be satisfied by (i) RMB16,100,000 (approximately HK\$18,720,930) in cash from the Group's internal resources; and (ii) RMB124,400,000 (approximately HK\$144,651,163) by the issue and allotment of 124,699,278 consideration shares at HK\$1.16 each. At the direction of the Vendor, the consideration shares will be issued and allotted to Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, who is an executive director and the Chairman of the Company, where the Vendor is a company wholly-owned by his spouse. At the extraordinary general meeting held on 25 February 2011, the relevant resolution was duly passed by the independent shareholders.

The above acquisition was completed on 26 July 2011.

Significant Investment

During the reporting period, the Group has commenced the second phase of construction of Zhuhai Plant, it is estimated that approximately RMB50,000,000 were to be invested in the construction work, and expected to complete by January 2012.

Assets Pledged by the Group

As at 30 June 2011, except for the bank deposits amounted to RMB1,554,000 that were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance, there were no other assets pledged by the Group.

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2011, the Group had total 2,416 employees (31 December 2010: 2,118), of which 418 (31 December 2010: 390) were management and technical staff, and 1,998 (31 December 2010: 1,728) were technicians.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. FUTURE OUTLOOK

The Group has completed the acquisition of Zhuhai Prospering on 26 July 2011, through the acquisition the Group possesses a fabrication site of approximately 400,000 square meters in Equipment Manufacture Area of Zhuhai Gaolan Port Economic Zone. The second phase of Zhuhai plant is under construction as scheduled. Following the construction of port and skid way, the Group will be equipped with the infrastructure for large-scale oil and gas facilities fabrication. In the future, the Group will focus on the development of large-scale offshore engineering fabrication business.

The Group will enhance core engineering capabilities, based on international standard of design, enhance manufacturing capabilities, forming the capability of providing turnkey solution to engineering, procurement and construction, transform from pure manufacturer to EPC turnkey solution provider. In the shipbuilding and oil and gas industry, we rely on our strong design capabilities to improve our integrated services.

The Group will continue to strengthen research and development activities, application for new patents, trial production of new products and experimental work has been scheduled. Through development of new product and promotion of our superior technology, the Group will develop new market and enhance our overall strength.

In the second half of the year, the Group will continue to complete to acquire the qualifications as scheduled, organise the coordination and management of follow-up key projects. During the course of the projects, we will further improve the project management processes and improve manufacturing and operational capabilities. In the meantime, we endeavour to perform marketing activities, put more effort on new businesses and new market exploration, focus on the opportunities in emerging markets, closely track and create the condition necessary for implementation of future projects and prepare for extension of our scope of services, and will devote more resources to staff training and introduction of talents.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2011.

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), 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 (Continued)

SHARE OPTION (Continued)

The Board approved to grant and the Company has granted options to Directors and other eligible participants under the Share Option Scheme from 1 January 2007 to 30 June 2011. Details of the options granted under the Share Option Scheme are as follows:

(i) Options granted in 2007

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares	Number of options as at 1 January 2011	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 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
				immediately before the date of granting the options						
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	2,000,000	0.40%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	1,000,000	0.20%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	1,000,000	0.20%
Tian Huiwen	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	350,000	-	-	-	350,000	0.07%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	4,810,000	-	-	-	4,810,000	0.97%
Total					9,160,000	-	-	-	9,160,000	1.84%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares	Number of options as at 1 January 2011	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
				immediately before the date of granting the options						
			(HK\$)	(HK\$)						
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	2,000,000	0.40%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	0.24%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	0.24%
Tian Huiwen	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	350,000	-	-	-	350,000	0.07%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	10,520,000	-	-	(200,000)	10,320,000	2.07%
Total					15,270,000	-	-	(200,000)	15,070,000	3.02%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2011	Number of options exercised during the period	Number of options cancelled during the period	the options or the share option scheme during the period	Number of options outstanding as at 30 June 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	-	800,000	0.16%
Chen Guocai	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	-	800,000	0.16%
Tian Huiwen	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	300,000	-	-	-	300,000	0.06%
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	9,650,000	(100,000)	-	(100,000)	9,450,000	1.90%
Total					11,550,000	(100,000)	-	(100,000)	11,350,000	2.28%

Note: The weighted average closing price of the shares immediately before the date of exercise of the share options was HK\$1.01.

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2011	Number of options exercised during the period	Number of options cancelled during the period	the options or the share option scheme during the period	Number of options outstanding as at 30 June 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	6,500,000	-	-	-	6,500,000	1.30%
Total					6,500,000	-	-	-	6,500,000	1.30%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(v) Options granted in 2011

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2011	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2011	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Cao Yunsheng	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	-	-	-	1,000,000	0.20%
Chen Guocai	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	-	-	-	1,000,000	0.20%
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	29,750,000	-	-	-	29,750,000	5.97%
Total					31,750,000	-	-	-	31,750,000	6.37%

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.

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

At 30 June 2011, 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 (Note 2)	396,911,278 (L) (Note 1)	79.69%
	Share options	4,000,000 (L)	0.80%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	12,000,000 (L)	2.41%
	Share options	4,000,000 (L)	0.80%
Chen Guocai	Interest of a controlled corporation (Note 4)	10,000,000 (L)	2.01%
	Share options	4,000,000 (L)	0.80%
Tin Huiwen	Share options	1,000,000 (L)	0.20%

(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%

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

(Continued)

(II) ASSOCIATED CORPORATION (Continued)

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
3. The 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 2011. 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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)	79.69%
Martin Currie (Holdings) Limited	Interest of controlled corporation (Note 3)	29,032,000 (L)	5.83%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. The letter "L" denotes a long position in the Shares respectively.
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 share holder of the Company.
3. Among the 29,032,000 Shares, 12,538,000 Shares are held by Martin Currie Inc., which is indirectly wholly-owned by Martin Currie (Holdings) Limited, and 16,494,000 Shares are held by Martin Currie Investment Management, which is indirectly wholly-owned by Martin Currie (Holdings) Limited.

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 2011.

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.

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 2011.

CORPORATE GOVERNANCE

The Company had 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 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 and approved the unaudited financial reports of the Group for the period ended 30 June 2011 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 2010 Annual Report of the Company.

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

Hong Kong, 26 August 2011

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 : 498,100,000 ordinary shares
Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
Mr. Cao Yunsheng (*CEO*)
Mr. Chen Guocai
Mr. Tian Huiwen

Independent non-executive directors

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

COMPANY REPRESENTATIVE, 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) 2669-4111
Fax: (86 755) 2669-4666

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

Butterfield Fund Services (Cayman) Limited
68 Fort Street, P.O. Box 705,
George Town, Grand Cayman,
Cayman Islands, British West Indies

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
Jutal Offshore Oil Services Limited
10th Floor, Chiwan Petroleum Building
Shekou, Nanshan District
Shenzhen, The PRC 518068
Tel : (86 755) 2685-0472
Fax : (86 755) 2669-4666
Email : yxy@jutal.com