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JUTAL

巨濤海洋石油服務有限公司
Jutal Offshore Oil Services Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03303)

Joint Financial Advisers to the Company



Financial Adviser to Subscriber A



- (1) SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(4) RESUMPTION OF TRADING**

THE SUBSCRIPTION

On 15 March 2017 (before trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 803,562,111 Subscription Shares at the Subscription Price of HK\$1.2 per Subscription Share.

The Subscription Shares represent (i) approximately 100.40% of the existing issued share capital of the Company; (ii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) approximately 48.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all Share Options and Warrants are exercised in full and there is no further change in the issued share capital of the Company other than the issue of the Subscription Shares). The aggregate Subscription Price amounts to approximately HK\$964,274,533. The Subscription Shares will be issued pursuant to the Specific Mandate to be obtained at the EGM.

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group did not hold, control or has directions over any Shares, Share Options, convertible securities, options, Warrants or derivatives in the Company. Upon Completion, the Subscribers will be interested in an aggregate of 803,562,111 Shares, representing (i) approximately 100.40% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) approximately 48.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all Share Options and Warrants are exercised in full and there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

Upon the Completion, the Subscription Shares subscribed by Subscriber A and Subscriber B are 641,566,556 and 161,995,555, respectively, representing (i) approximately 80.16% and 20.24% of the existing issued share capital of the Company respectively; (ii) approximately 40.0% and 10.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) respectively; and (iii) approximately 38.60% and 9.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares respectively (assuming all Share Options and Warrants are exercised in full and there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

Under Rule 26.1 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on the Subscribers to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscribers will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Completion will not take place.

As at the date of this announcement, save as disclosed in this announcement, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company and the Subscribers note that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of an ordinary resolution at the EGM by Shareholders of an increase in its authorised share capital from HK\$15,000,000 divided into 1,500,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,500,000,000 Shares, which shall rank *pari passu* in all respects with the existing Shares. The increase in its authorised share capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment. None of the members of the Independent Board Committee has any material interest in the Subscription.

PUBLIC FLOAT

Upon Completion, assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, 391,443,000 Shares, representing approximately 24.40% of the total issued share capital of the Company as at Completion Date, will be held by the public. Therefore, the Public Float Requirement will not be complied with.

For the purpose of compliance of the Public Float Requirement, Mr. Cao has executed an undertaking pursuant to which, Mr. Cao agrees to dispose of such number of Shares before the Completion so as to enable the Company to comply with the Public Float Requirement upon the Completion.

One of the conditions precedent which are set out under the section headed “Conditions of the Subscription” in this announcement is the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval not having been subsequently withdrawn or revoked. As such, if the Company fails to comply with the Public Float Requirement upon Completion, the Stock Exchange will not grant such approval for listing of, and permission to deal in, the Subscription Shares, thus the Completion will not take place.

PROFIT WARNING

Shareholders and/or potential investors of the Company should note that the Profit Warning Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus are advised to exercise caution in placing reliance on the Profit Warning Announcement when dealing in the securities of the Company and in assessing the merits and demerits of the Subscription and the Whitewash Waiver. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

GENERAL

A circular containing, among other things, (i) details of the Subscription and the Whitewash Waiver; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (iv) a notice convening the EGM and a form of proxy will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code as soon as practicable.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate; (iv) the Whitewash Waiver; and (v) the increase in the authorised share capital of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 15 March 2017 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 21 March 2017.

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent which are set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the EGM by the Independent Shareholders of the Subscription and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders, Optionholders, Warrant holders and potential investors are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

On 15 March 2017 (before trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 803,562,111 Subscription Shares at the Subscription Price of HK\$1.2 per Subscription Share. A summary of the principal terms of the Subscription Agreement is set out below.

THE SUBSCRIPTION

Set out below are the major terms of the Subscription Agreement:

Date: 15 March 2017 (before trading hours)

Parties:

Issuer: The Company

Subscriber A: Sanju Environmental Protection (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability; and

Subscriber B: Golden Talent (HK) Technology Company Limited, a company incorporated in Hong Kong with limited liability (together with the Subscriber A, the “**Subscribers**”)

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Subscribers and the ultimate beneficial owners of the Subscribers are Independent Third Parties.

The Subscription Shares

The Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 803,562,111 Subscription Shares (of which Subscriber A has conditionally agreed to subscribe an aggregate of 641,566,556 Subscription Shares, which represent 79.84% of the total Subscription Shares and Subscriber B has conditionally agreed to subscribe an aggregate of 161,995,555 Subscription Shares, which represent 20.16% of the total Subscription Shares) at the Subscription Price of HK\$1.2 per Subscription Share.

Upon Completion, the Subscription Shares subscribed by Subscriber A and Subscriber B, which respectively represent (i) approximately 80.16% and 20.24% of the existing issued share capital of the Company; (ii) approximately 40.0% and 10.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) approximately 38.60% and 9.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the exercise in full of the outstanding Share Options and Warrants of the Company.

The Subscription Shares represent (i) approximately 100.40% of the existing issued share capital of the Company; (ii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) approximately 48.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all Share Options and Warrants are exercised in full and there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

The Subscription Price

The Subscription Price at HK\$1.2, represents:

- (i) a price earnings ratio of 31.8 times, on the basis of the latest audited net profit after tax of approximately RMB26,714,000 (equivalent to approximately HK\$30,184,060) as at 31 December 2015, and the market capitalization of HK\$960,425,133.60 at HK\$1.20 per Share;
- (ii) a discount of 40% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on 14 March 2017, being the Last Trading Day;
- (iii) a discount of approximately 39.39% to the average of the closing price per Share of approximately HK\$1.98 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 35.14% to the average of the closing price per Share of approximately HK\$1.85 for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (v) a discount of approximately 26.38% to the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1.63 per Share as at 31 December 2015 (based on the number of issued Shares as at the date of this announcement); and
- (vi) a discount of approximately 26.38% to the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$1.63 per Share as at 30 June 2016 (based on the number of Shares as at the date of this announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Subscribers with reference to the price earning ratios, the net asset value of the Company, as well as the business performance and the financial position of the Group.

The total consideration for the Subscription Shares amounts to approximately HK\$964,274,533 which shall be payable by the Subscribers to the Company upon the Completion. The aggregate nominal amount of the Subscription Shares is HK\$8,035,621.

Save for the Consideration to be paid to the Company, none of the members of the Concert Group have and/or will pay any other consideration in whatever form to any Shareholders or any parties acting in concert with any of them in connection with the Subscription or otherwise.

The Directors (other than independent non-executive Directors who will give their opinion after considering the advice from the independent financial adviser) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Mandate for the issue of the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Ranking

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions of the Subscription

The Subscription is subject to the fulfillment, prior to or simultaneously at the Completion of the following conditions precedent to the satisfaction of the Subscribers:

- (a) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval not having been subsequently withdrawn or revoked;
- (b) the passing by the Independent Shareholders at the EGM of necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, including among others, increase of authorized share capital, the allotment and issue of the Subscription Shares, granting of the Specific Mandate under which the Subscription Shares will be allotted and issued and the Whitewash Waiver;
- (c) the Executive having granted the Whitewash Waiver in favour of the Subscribers and any conditions stipulated thereon having been fulfilled to the extent that such conditions are capable of being fulfilled before Completion; and
- (d) Subscriber A having obtained all approvals from the relevant authorities for the Completion.

As at the date of this announcement, the only approval required by Subscriber A is the approval of the board of directors of Sanju, which has been obtained by way of board resolutions.

The Company shall use its best endeavors to ensure the fulfillment of the above conditions precedent as soon as reasonably practicable.

The Subscribers may, at its sole discretion and upon such terms as it thinks fit, at any time waive in whole or in part and conditionally or unconditionally any of the above conditions precedent, save for the above conditions precedent (a), (b) and (c) which are not waivable, in writing to the Company. If any of the above conditions precedent is not fulfilled or waived (as the case may be) at or before 5:00 p.m. (Hong Kong time) on or before the Conditions Fulfillment Date, the Subscription Agreement shall lapse and neither the Company nor the Subscribers shall be bound to proceed with the Subscription. The provisions of the Subscription Agreement (other than the clauses in respect of restrictions on announcements, costs, notices and governing law in the Subscription Agreement) shall, subject to the liability of any of the Company and the Subscribers to the others in respect of any antecedent breaches of the terms in the Subscription Agreement, from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the Company and the Subscribers in respect of claim arising out of any antecedent breach of the Subscription Agreement).

Completion of the Subscription

The Completion shall take place on the 10th Business Day after the Conditions Fulfillment Date, upon which, the Company and the Subscribers shall perform their respective obligations as set out in the Subscription Agreement.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in (i) the provision of technical support services in offshore oil and gas industry; (ii) fabrication of oil and gas facilities and oil and natural gas processing skid equipment; and (iii) the provision of technical support services to the shipbuilding industry.

INFORMATION ON THE SUBSCRIBERS

Information on Subscriber A

The principal activity of Subscriber A is investment holding. Subscriber A is a company incorporated in Hong Kong with limited liability and is the wholly-owned subsidiary of Sanju, a company founded in 1997 established in Beijing, PRC and listed on the Shenzhen Stock Exchange (Shenzhen Stock Exchange Stock Code 300072). Sanju has no controlling shareholder.

Sanju is principally engaged in manufacturing, sales and distribution of energy and environmental protection materials in the PRC, in petroleum refining, petrochemical, natural gas chemical, and coal chemical industries, as well as oil field, biogas, and iron and steel

industry. Sanju's customers include Fortune 500 companies such as China National Petroleum Corporation, Sinopec Corporation, CNOOC Limited and China Shenhua Energy Company Limited. Sanju serves and distributes to its customers primarily in the PRC.

Information on Subscriber B

Subscriber B is a company incorporated in Hong Kong with limited liability and its principal activity is investment holding. Subscriber B is beneficially and wholly-owned by Mr. Lo Chun Yim, who is a business man who has invested and operated various companies in the financial industry in the PRC. Mr. Lo Chun Yim also an investor in certain Hong Kong listed securities.

According to the Subscribers, save for the Subscription, Subscriber A and Subscriber B are business associates with no shareholding or partnership relationship; hence are independent among each other.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are an aggregate outstanding Share Options to subscribe for 38,450,000 Shares with details as follows:

- (i) outstanding Share Options to subscribe for 1,650,000 Shares were granted on 16 March 2007 at exercise price of HK\$1.68 per Share; and
- (ii) outstanding Share Options to subscribe for 5,100,000 Shares were granted on 12 March 2008 at exercise price of HK\$1.62 per Share;
- (iii) outstanding Share Options to subscribe for 1,000,000 Shares were granted on 14 August 2009 at exercise price of HK\$0.92 per Share;
- (iv) outstanding Share Options to subscribe for 2,400,000 Shares were granted on 27 May 2010 at exercise price of HK\$0.93 per Share;
- (v) outstanding Share Options to subscribe for 2,300,000 Shares were granted on 23 May 2011 at exercise price of HK\$1.06 per Share;
- (vi) outstanding Share Options to subscribe for 13,000,000 Shares were granted on 29 July 2015 at exercise price of HK\$0.86 per Share; and
- (vii) outstanding Share Options to subscribe for 13,000,000 Shares were granted on 14 October 2016 at exercise price of HK\$0.68 per Share.

As at the date of this announcement, there are also an outstanding Warrants issued on 23 July 2014 to subscribe for 20,000,000 Shares at subscription price of HK\$2.10 per Share. Apart from the above, the Company had no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Shares as at the date of this announcement.

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon Completion; and (iii) immediately upon Completion and the exercise in full of the outstanding Share Options and Warrants:

	As at the date of this announcement		Immediately upon Completion (note 3)		Immediately upon Completion and the exercise in full of the outstanding Share options and Warrants	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial shareholders						
Cheung Hing Investments Limited (note 1)(note 4)	396,911,278	49.59%	396,911,278	24.75%	408,911,278	24.60%
Sino Joint International Limited (note 2)	12,000,000	1.5%	12,000,000	0.75%	32,000,000	1.92%
Subscriber A	—	—	641,566,556	40%	641,566,556	38.60%
Subscriber B	—	—	161,995,555	10.10%	161,995,555	9.74%
Subtotal of Concert Group			803,562,111	50.10%	803,562,111	48.34%
Public shareholders	391,443,000	48.91%	391,443,000	24.40%	417,893,000	25.14%
Total	<u>800,354,278</u>	<u>100.00</u>	<u>1,603,916,389</u>	<u>100%</u>	<u>1,662,366,389</u>	<u>100%</u>

Notes:

- (1) Cheung Hing Investments Limited is wholly-owned by Mr. Wang, the chairman, an executive Director and substantial shareholder of the Company.
- (2) Sino Joint International Limited is wholly owned by Mr. Cao, an executive Director of the Company.
- (3) For the purpose of compliance of the Public Float Requirement, Mr. Cao has executed an undertaking pursuant to which, Mr. Cao agrees to dispose of such number of Shares before the Completion so as to enable the Company to comply with the Public Float Requirement upon the Completion. Hence, the above scenario of the shareholding structure of the Company in relation to immediately upon completion of the Subscription is for illustrative purpose only.
- (4) Under the Takeovers Code, Cheung Hing Investments Limited and its sole shareholder Mr. Wang are presumed to be acting in concert with Subscriber A immediately upon Completion as Cheung Hing Investments Limited is holding approximately 24.75% (which is more than 20%) of the entire issued share capital of the Company.

FUTURE INTENTIONS OF SANJU REGARDING THE GROUP

Upon Completion, Sanju would become the single largest and a controlling Shareholder, as defined in the Listing Rules. The Subscribers intends to continue the principal businesses of the Group and maintain the listing status of the Company on the Stock Exchange following the Completion. Sanju intends to appoint new Directors to the Board to complement the existing Board and senior management after the Completion. In view of the different services and technologies provided by the Company and Sanju to overlapping customers while focusing on serving and distributing to these customers in their respective and

different geographical and application market segment, the Group and Sanju will upon Completion using their combined strengths, explore cross selling and co-development activities as well as jointly develop new markets and new customers.

Further, upon Completion, the Directors nominated by Sanju will work closely with the existing Directors and management of the Company review the Group's operations and focus on improving financial performance of the Company.

Save as above, Sanju currently has no intention to make any change to the existing business, management of the Group and the employment of the Group's employees.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION

As stated in the interim report of the Company for the six months ended 30 June 2016, the Group has been affected by the downturn in the oil and gas industry in recent years and such situation is expected to continue in the near future, hence it is expected the fund raising ability of the Group to be adversely affected. The Board expected that the profit margin of the Company will remain competitive, mainly due to (i) the down turn of the oil and gas industry in the previous few years; and (ii) the oversupply of the shipbuilding industry. As a technical service provider for the oil and gas and shipbuilding sectors, the Group foresees that the capital investment of these two sectors will be reduced, which lead to an adverse effect on the Group's core operation.

The Directors are of the view that the Subscription represents a valuable opportunity for the Group to bring in a solid strategic investor that is expected to bring business synergies to the Group. The Directors consider that the entering into the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity in the oil and gas sectors as and when it arises. The Directors are confident that the Subscribers will bring in additional resources, technology, know-how and investment opportunities to the Company in the oil and natural gas sector which is beneficial to the Company and the Shareholders as a whole.

The Board has considered various fund raising methods apart from the Subscription such as debt financing as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group. As regards the viability of a rights issue or an open offer, the Board is of the view that it will be difficult to identify underwriter(s) which is/are interested to underwrite a rights issue or open offer of the Company in light of its current financial position. The Directors consider that even if such an independent underwriter were identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively time-consuming.

In light of the above, the Board is of the view that equity financing by way of the Subscription is the most appropriate means of raising additional capital as (i) it is more practicable and direct under a volatile market and the prevailing uncertain market conditions; (ii) it is less costly and carries no interest burden; and (iii) it is less time-consuming.

The Directors have considered the dilution effect on the shareholding of the Company before proceeding with the Subscription. Nevertheless, the introduction of the Subscribers (Subscriber A is a strategic investor which actively operating in the oil and gas sector and both Subscriber A and B has the financial capability and is willing to subscribe for the Subscription Shares) will provide confidence to the Shareholders and the investing public in the Company. Further, with the additional funds from the Subscription to finance its business development, expansion and/or innovations, the Company will be put in a better position to grow. The Directors consider that, the potential for future earnings and the chance to increase the value for the Company will, to a certain extent, outweigh the dilution effect that will occur following the Completion.

The Directors (excluding the members of the Independent Board Committee, who will express their views after considering the advice of the independent financial adviser as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver) are of the view that the terms of the Subscription Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and the Subscription is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription would amount to HK\$964 million. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK\$962 million, representing a net price of approximately HK\$1.2 per Subscription Share.

The Company intends to use the net proceeds to be raised from the Subscription as below:

- (i) approximately HK\$500 million for the working capital in engineering, procurement, installation and construction projects; and in build – transfer projects relating to the oil and gas equipment and facilities; and
- (ii) approximately HK\$250 million will allocate for the capital expenditure in improving and expanding the production facilities and office facilities in the Group's Zhu Hai operation; and
- (iii) the remaining of approximately HK\$212 million for the general working capital of the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group did not hold, control or has directions over any Shares, Share Options, convertible securities, Warrants or derivatives in the Company. Upon Completion, the Subscribers will be interested in 803,562,111 Shares, representing (i) approximately 100.40% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) approximately 48.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all Share Options and Warrants are exercised in full and there is no further change in the issued share capital of the Company other than the issue of the Subscription Shares).

Under Rule 26.1 of the Takeovers Code, upon Completion, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with any of them, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscribers will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders (both of which cannot be waived), the Completion will not take place. The Subscribers cannot waive such a condition.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$15,000,000 divided into 1,500,000,000 Shares of which 800,354,278 Shares are in issue and fully paid or credited as fully paid. In order to issue the Subscription Shares upon Completion and provide the Company with greater flexibility in the future as and when necessary, the Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised share capital from HK\$15,000,000 divided into 1,500,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,500,000,000 Shares, which shall rank *pari passu* in all respects with the existing Shares. The increase in its authorised share capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

PUBLIC FLOAT

Upon Completion, assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, 391,443,000 Shares, representing approximately 24.40% of the total issued share capital of the Company as at Completion Date, will be held by the public. Therefore, the Public Float Requirement will not be complied with.

For the purpose of compliance of the Public Float Requirement, Mr. Cao has executed an undertaking pursuant to which, Mr. Cao agrees to dispose of such number of Shares as may be necessary on or before the Completion so as to enable the Company to comply with the Public Float Requirement upon the Completion.

One of the conditions precedent set out under the section headed “Conditions of the Subscription” in this announcement is the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval not having been subsequently withdrawn or revoked. If the Company fails to comply with the Public Float Requirement upon Completion, the Stock Exchange will not grant such approval for listing of, and permission to deal in, the Subscription Shares, thus the Completion will not take place.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement,

- (a) none of the members of the Concert Group has any dealings in any securities of the Company in the six-month period preceding the date of the Subscription Agreement;
- (b) none of the members of the Concert Group owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) none of the members of the Concert Group has received any irrevocable commitment to vote for or against the proposed resolution approving the Subscription or the Whitewash Waiver at the EGM;
- (d) there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Subscriber which may be material to the Subscription or the Whitewash Waiver;
- (e) there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Subscription or the Whitewash Waiver;
- (f) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Concert Group has borrowed or lent; and
- (g) save as the Subscription Agreement, none of the members of the Concert Group has any other arrangement or agreement with the Shareholders, the Company and its concert parties.

As at the date of this announcement, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company and the Subscribers note that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

PROFIT WARNING

Reference is made to the Profit Warning Announcement in relation to the Profit Warning.

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Announcement constitutes a profit forecast and must be reported on (“**Reporting Requirement**”) by the Company’s financial advisers and auditors in compliance with Rule 10.4 of the Takeovers Code, and such reports must be lodged with the Executive.

Since the Profit Warning Announcement was required to be made pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the SFO, which require the Company to issue the profit warning announcement as soon as practicable and given the time constraints, the Company had encountered genuine practical difficulties (time-wise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code. The Profit Warning Announcement failed to comply with the requirements under Rule 10 or Practice Note 2 of the Takeovers Code as it did not contain, amongst other things, the appropriate warnings and caution statements as required under the Takeovers Code therein.

Under Practice Note 2 of the Takeovers Code, the reports from the Company’s financial advisers and auditors or accountants on the Profit Warning are required to be included in the next document to be sent to the Shareholders. As the annual results of the Company for the year ended 31 December 2016 is expected to be published on 31 March 2017, prior to the despatch of the next document to be sent to the Shareholders, the Reporting Requirement under Rule 10 of the Takeovers Code for the Profit Warning is expected to be superseded by the publication of the preliminary annual results of the Company and the relevant results together with the notes to the financial statements will be included in the next document to be sent to the Shareholders. Otherwise the reports from the Company’s financial advisers and auditors or accountants on the Profit Warning would be included in the next document to be sent to the Shareholders.

Shareholders and/or potential investors of the Company should note that the Profit Warning Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus are advised to exercise caution in placing reliance on the Profit Warning Announcement when dealing in the securities of the Company and assessing the merits and demerits of the Subscription and the Whitewash Waiver. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

GENERAL

A circular containing, among other things, (i) details of the Subscription and the Whitewash Waiver, (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver, (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver and (iv) a notice convening the EGM will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code, which will be despatched as soon as practicable.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate; (iv) the Whitewash Waiver; and (v) the increase in the authorised share capital of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 15 March 2017 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 21 March 2017.

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent which are set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the EGM by the Independent Shareholders of the Subscription and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders, Option holders, Warrant holders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“acting in concert”	has the meaning ascribed to it by the Takeovers Code and the expression “concert party(ies)” shall be construed accordingly
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors

“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“Company”	Jutal Offshore Oil Services Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Subscription and shall take place on the Completion Date
“Completion Date”	the 10 th Business Day following the date on which the conditions precedent set out in the Subscription Agreement are fulfilled or waived (as the case may be), or such other date as the Company and the Subscribers may agree in writing
“Concert Group”	Subscribers, their respective ultimate beneficial owner and the parties acting in concert with any of them
“Conditions Fulfillment Date”	31 October 2017 or such later time or date as may be agreed between the Subscribers and the Company in writing
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate; (iv) the Whitewash Waiver; and (v) the increase in the authorised share capital of the Company (or any adjournment thereof)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and the Subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. Su Yang, Mr. Xiang Qiang and Mr. Qi Daqing, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver and as to voting at the EGM
“Independent Shareholders”	Shareholders other than the Subscribers and its associates and/or their respective concert parties and those parties who are involved or interested in the Subscription and/or the Whitewash Waiver
“Independent Third Party(ies)”	independent third party (parties) who is (are) independent of and not connected with the Company and its connected persons
“Last Trading Day”	14 March 2017, being the last trading day for the Shares before the entering into of the Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cao”	Mr. Cao Yun Shung, an executive Director of the Company
“Mr. Wang”	Mr. Wang Lishan, an executive Director and substantial shareholder of the Company
“Optionholder(s)”	holder(s) of Share Option(s)
“PRC”	the People’s Republic of China
“Profit Warning”	a profit warning of the Company for the year ended 31 December 2016 as stated in the Profit Warning Announcement
“Profit Warning Announcement”	the announcement of the Company dated 6 February 2017 in relation to the Project Warning
“Public Float Requirement”	at least 25% of the Company’s Shares must at all times be held by the public, as prescribed under Rule 8.08(1)(a) of the Listing Rules
“Sanju”	Beijing Sanju Environmental Protection & New Materials Co., Ltd., a company established in the PRC with limited liability

“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Options”	share options to subscribe for an aggregate of 38,450,000 Shares which remain outstanding as at the date of this announcement that were granted by the Company pursuant to its share option schemes adopted on 18 August 2006 and 8 June 2016
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Sanju Environmental Protection (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Subscriber B”	Golden Talent (HK) Technology Co., Limited, a company incorporated in Hong Kong with limited liability
“Subscribers”	collectively, Subscriber A and Subscriber B
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 15 March 2017 and entered into by the Company and the Subscribers in relation to the Subscription
“Subscription Price”	HK\$1.2 per Subscription Share
“Subscription Share(s)”	an aggregate of 803,562,111 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Subsidiary(ies)”	subsidiary(ies) of the Company
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Warrant(s)”	20,000,000 outstanding unlisted warrants issued by the Company on 23 July 2014
“Warrant holder(s)”	holder(s) of Warrant(s)

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all these securities of the Company not already owned or acquired by the Subscribers and parties acting in concert with them under Rule 26 of the Takeovers Code which would otherwise arise as a result of the Subscribers subscribing for the Subscription Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Jutal Offshore Oil Services Limited
Cao Yunsheng
Executive Director

Hong Kong, 21 March 2017

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1=HK\$1.13. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the executive Directors are Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng, Mr. Tang Hui and Mr. Li Jing; and the independent non-executive Directors are Mr. Su Yang, Mr. Xiang Qiang and Mr. Qi Daqing.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Subscribers and Concert Group) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the directors of Sanju comprise Liu Lei, Lin Ke, Zhang Shu Rong, Ren Xiang Kun, Wang Qing Ming, Liu Ming Yong, Zhang Xu, Guo Min Gang, Han Xiao Jing, Shen Bao Jian and Yang Wen Biao, the sole director of Subscriber A is Liu Lei and the sole director of Subscriber B is Lo Chun Yim.

The directors of Sanju, and the sole director of Subscriber A and the sole director of Subscriber B jointly and severally accept full responsibility for the accuracy of the information relating to the Subscribers and Concert Group contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.