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)

2017 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was RMB184,224,000, a 49.82% decrease from the same period last year.
- Gross profit was RMB15,835,000, a 68.60% decrease from the same period last year.
- Profit attributable to owners of the Company was RMB513,000.
- Basic earnings per share was RMB0.055 cents for the six months ended 30 June 2017.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2017.

The board (the "Board") of directors (the "Directors") of Jutal Offshore Oil Services Limited (the "Company") is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2017 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2016. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has been reviewed by the audit committee of the Company (the "Audit Committee"). RSM Hong Kong, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited)
Turnover		**184,224**	367,122
Cost of sales and service		**(168,389)**	(316,698)
Gross profit		**15,835**	50,424
Other income	4	**11,946**	6,010
Administrative expenses		**(51,666)**	(59,444)
Other operating expenses		**(1,646)**	(5,594)
Loss from operations		**(25,531)**	(8,604)
Finance costs	5	**(4,190)**	(4,318)
Share of profits of an associate		**32,034**	10,873
Profit/(loss) before tax		**2,313**	(2,049)
Income tax (expense)/credit	6	**(1,800)**	1,103
Profit/(loss) for the period attributable to owners of the Company	7	**513**	(946)
Earnings/(loss) per share	9	**RMB**	RMB
Basic		**0.055 CENTS**	(0.12 CENTS)
Diluted		**0.054 CENTS**	(0.12 CENTS)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**513**	(946)
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(6,673)**	4,893
Other comprehensive income for the period, net of tax	**(6,673)**	4,893
Total comprehensive income for the period attributable to owners of the Company	**(6,160)**	3,947

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	Note	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**514,862**	528,970
Prepaid land lease payments		**385**	417
Goodwill		**197,830**	202,327
Intangible assets		**3,245**	2,974
Investment in an associate		**369,828**	337,794
Deferred tax assets		**119**	282
		1,086,269	1,072,764
Current assets			
Inventories		**22,103**	24,392
Trade and bills receivables	11	**174,489**	214,774
Gross amount due from customers for contract work		**150,584**	186,820
Prepayments, deposits and other receivables		**63,630**	49,420
Derivative financial instruments		**-**	176
Due from directors		**2,264**	2,710
Current tax assets		**1,086**	1,086
Pledged bank deposits		**17,927**	43,527
Bank and cash balances		**942,789**	100,535
		1,374,872	623,440
Current liabilities			
Trade and bills payables	12	**164,433**	175,125
Gross amount due to customers for contract work		**13,529**	15,469
Accruals and other payables		**37,824**	49,490
Warranty provisions		**1,866**	1,866
Bank borrowings		**127,784**	213,628
Current tax liabilities		**1,910**	33
		347,346	455,611
Net current assets		**1,027,526**	167,829
Total assets less current liabilities		**2,113,795**	1,240,593

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	Note	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		**23,550**	24,629
Deferred tax liabilities		**34,336**	35,422
		57,886	60,051
NET ASSETS		**2,055,909**	1,180,542
Capital and reserves			
Share capital	13	**14,717**	7,506
Reserves		**2,041,192**	1,173,036
TOTAL EQUITY		**2,055,909**	1,180,542

NOTES:

1. **BASIS OF PREPARATION**

The 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed financial statements.

3. **SEGMENT INFORMATION**

The Group has three reportable segments as follows:

- Provision of technical support and related services for oil and gas industry and sales of related equipment and materials.

- Fabrication of oil and gas facilities and oil and gas processing skid equipment.

- Provision of technical support services for shipbuilding industry.

3. **SEGMENT INFORMATION (CONT'D)**

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.

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

	Provision of technical support and related services for oil and gas industry and sales of related equipment and materials RMB'000 (Unaudited)	**Fabrication of oil and gas facilities and oil and gas processing skid equipment** RMB'000 (Unaudited)	**Provision of technical support services for shipbuilding industry** RMB'000 (Unaudited)	**Others** RMB'000 (Unaudited)	**Total** RMB'000 (Unaudited)
Six months ended 30 June 2017					
Revenue from external customers	**27,027**	**144,652**	**8,786**	**3,759**	**184,224**
Segment profit/(loss)	**1,418**	**14,505**	**(175)**	**87**	**15,835**
At 30 June 2017:					
Segment assets	**40,468**	**827,768**	**19,349**	**9,322**	**896,907**
Segment liabilities	**31,445**	**164,947**	**4,087**	**1,722**	**202,201**
Six months ended 30 June 2016					
Revenue from external customers	33,753	320,930	12,439	-	367,122
Segment profit	1,744	48,648	32	-	50,424
At 31 December 2016:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	45,186	900,761	15,310	7,562	968,819
Segment liabilities	31,142	185,606	3,873	1,723	222,344

3. SEGMENT INFORMATION (CONT'D)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	**15,835**	50,424
Unallocated amounts:		
Other income	**11,946**	6,010
Finance costs	**(4,190)**	(4,318)
Other corporate expenses	**(53,312)**	(65,038)
Share of profits of an associate	**32,034**	10,873
Consolidated profit/(loss) before tax for the period	**2,313**	(2,049)

4. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposals of property, plant and equipment	**5**	24
Interest income	**611**	188
Net foreign exchange gains	**1,586**	3,378
Government grant recognised	**9,181**	2,413
Sundry income	**563**	7
	11,946	6,010

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,568**	3,886
Others	**622**	432
	4,190	4,318

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	**2,505**	50
Under-provision in prior periods	**218**	552
	2,723	602
Deferred tax	**(923)**	(1,705)
	1,800	(1,103)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the periods ended 30 June 2017 and 2016.

The People's Republic of China (the "PRC") Enterprise Income Tax has been provided on the assessable profit of the Group's subsidiaries in the PRC in accordance with the relevant PRC Enterprise Income Tax laws and regulations.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance for inventories	**1,467**	448
Allowance for trade and other receivables	**975**	1,918
Fair value (gains)/losses on derivative financial instruments	**(238)**	2,431
Directors' emoluments		
- As directors	**187**	180
- For management	**2,271**	2,253
- Share-based payments	**1,977**	1,084
	4,435	3,517

8. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2015 approved –HK$0.01 per ordinary share	**-**	6,723

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**513**	(946)
Number of shares		
Weighted average number of ordinary shares used in basic earnings/loss per share calculation	**935,411,191**	800,354,278
Effect of dilutive potential ordinary shares arising from share options	**17,554,060**	-
Weighted average number of ordinary shares used in diluted earnings/loss per share calculation	**952,965,251**	800,354,278

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB1,336,000 (six months ended 30 June 2016: RMB23,369,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**174,373**	211,030
Allowance for doubtful debts	**(8,129)**	(7,510)
	166,244	203,520
Bills receivables	**8,245**	11,254
	174,489	214,774

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 to 30 days	**42,774**	80,655
31 to 90 days	**40,422**	47,481
91 to 365 days	**66,121**	50,121
Over 365 days	**16,927**	25,263
	166,244	203,520

12. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	**148,390**	175,125
Bills payables	**16,043**	-
	164,433	175,125

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 to 30 days	**48,520**	63,842
31 to 90 days	**13,676**	39,708
91 to 365 days	**58,648**	57,991
Over 365 days	**27,546**	13,584
	148,390	175,125

13. SHARE CAPITAL

	Note	Number of shares	Amount
			HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 31 December 2016 (Audited)		1,500,000,000	15,000
Creation of additional ordinary shares	(a)	2,500,000,000	25,000
At 30 June 2017 (Unaudited)		4,000,000,000	40,000

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares	Amount	Equivalent toamount
			HK$'000	RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January 2016 and 31 December 2016 (Audited)		800,354,278	8,004	7,506
Exercise of share options	(b)	6,400,000	64	56
Issue of shares on subscription	(c)	803,562,111	8,036	6,990
Exercise of warrants	(d)	19,000,000	190	165
At 30June 2017 (Unaudited)		1,629,316,389	16,294	14,717

Note:

(a) By an ordinary resolution passed at an extraordinary general meeting held on 26 May 2017 the authorised ordinary share capital of the Company was increased from HK$15,000,000 to HK$40,000,000 by the creation of 2,500,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) Share options were exercised by option holders during the six months ended 30 June 2017 to subscribe for a total of 6,400,000 ordinary shares in the Company at total consideration of approximately HK$8,251,000 equivalent to approximately RMB7,178,000 of which approximately RMB56,000 was credited to share capital and the balance of approximately RMB7,122,000 was credited to the share premium account. Approximately RMB2,021,000 has been transferred from the share-based payment reserve to the share premium account.

13. **SHARE CAPITAL (CON'D)**

(c) On 15 March 2017, Sanju Environmental Protection (Hong Kong) Limited and Golden Talent (HK) Technology Co., Limited (together refer to as the "Subscribers") and the Company entered into a 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 of the Company at subscription price of HK$1.2 per subscription share (the "Subscription").

The Subscription was completed on 2 June 2017 and the premium on the issue of shares, amounting to approximately RMB830,669,000, net of share issue expenses, was credited to the Company's share premium account.

(d) 19,000,000 warrants were exercised by the warrant holders during the six months ended 30 June 2017 to subscribe for a total of 19,000,000 ordinary shares in the Company at total consideration of approximately HK$39,900,000, equivalent to approximately RMB34,713,000 of which approximately RMB165,000 was credited to share capital and the balance of approximately RMB34,548,000 was credited to the share premium account. Approximately RMB152,000 has been transferred from the warrants reserve to the share premium account.

14. **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at 30 June 2017(At 31 December 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

During the first half of 2017, albeit the resumption of the world's enthusiasm in the exploitation of oil and gas and the stabilized operating market, the level of positive sentiment and the scale of investment in exploration and development remained low when compared with that of 2014, and the shipbuilding industry still lingered in trough. In face of the severe market situation and the changes in demand structure, active exploration of new business area and realization of transformation and upgrade are the first priorities for the Group's development.

Since last year, we have extended our footstep to the areas of refinery market, environmental protection market and wind power market. We have taken up a production project of a series of modules for an oil refinery plant in Argentina and have undertaken the structure manufacturing and machinery installation for the first ever offshore wind power project in Guangdong province. The product lines of the Company have been expanded, which equipped us with the strategic advantages to march towards the new energy market in the future.

Our associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") has completed all the construction of a total of 33 modules and delivered for Russia's Yamal LNG project undertaken in 2014, representing a realization of over 25 million working hours of zero accident, with excellent quality and high level of safety.

On 15 March 2017, we entered into a subscription agreement with Sanju Environmental Protection (Hong Kong) Limited (三聚環保(香港)有限公司,"Sanju") and Golden Talent (HK) Technology Co., Ltd. (金華信（香港）科技有限公司, "Golden Talent") for the issuance to each of them of 641,566,556 and 161,995,555 subscription shares, totaling 803,562,111 subscription shares, and the subscription was completed on 2 June 2017. Upon completion, Sanju became the single largest and a controlling shareholder (as defined in the Listing Rules) of the Company.

Completion of the subscription has not only improved the Group's financial position and liquidity by providing a significant amount of additional capital, but, more important, also formed a complementary and cooperative relationship which will be favorable to the business and strategic development of the parties, bring us more resources, technologies and investment opportunities, eventually benefiting the Company and the shareholders as a whole.

Turnover

The Group recorded a total turnover of approximately RMB184,224,000 in the first half year of 2017, representing a decrease of RMB182,898,000 or 49.82% when compared with the corresponding period of last year. It was mainly caused by the decrease in turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment by RMB176,278,000 or 54.93% when compared with that of the corresponding period of last year. Regarding the business of provision of technical support and related services to offshore oil and gas industry and sales of related equipment and materials, and the provision of technical supporting services to shipbuilding industry, both turnover therefrom decreased by 19.93% and 29.37% over the corresponding period of last year respectively. The decline in turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment over last year was primarily because several large projects taken up in the second half year of 2015 were completed during the year of 2016, whereas the volume of work in the first half of this year decreased. The main reason for the decrease in turnovers from the business of provision of technical support and related services to offshore oil and gas industry and sales of related equipment and materials, and the provision of technical supporting services to shipbuilding industry was the decrease in volume of work of the Group in these two segments as affected by the continuous sluggish investment in global oil and gas industry and the depressed shipbuilding market.

The table below set out the analysis of turnover by business segments for the six months ended 30 June 2015, 2016 and 2017:

	For the six months ended 30 June					
	2017		2016		2015	
Product / service	**RMB'000**	**Percentage of total turnover %**	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	**27,027**	**15**	33,753	9	53,024	16
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**144,652**	**78**	320,930	87	238,972	75
3. Provision of technical support services for shipbuilding industry	**8,786**	**5**	12,439	4	27,448	9
4. Others	**3,759**	**2**	-	-	-	-
Total	**184,224**	**100**	367,122	100	319,444	100

Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB168,389,000, representing a decline of RMB148,309,000 or 46.83% when compared with that of the corresponding period of last year. It was mainly caused by the significant decrease in turnover over last year. Cost of sales and service comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB141,438,000, representing 83.99% of total cost of sales and service, and a decrease of RMB138,265,000 or 49.43% from RMB279,703,000 of the corresponding period of last year. The Group calculates the cost of sales and service of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and service varies from project to project. Manufacturing overheads has diminished by RMB10,044,000 or 27.15% from RMB36,995,000 of the corresponding period of last year to approximately RMB26,951,000 in current reporting period.

Gross Profit

The total amount of gross profit of the Group amounted to approximately RMB15,835,000 for the reporting period, representing a decrease of RMB34,589,000 or a drop of 68.60% when compared with RMB50,424,000 of the corresponding period of last year. The overall gross profit margin decreased to 8.60% from 13.73% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments. Affected by the continuous sluggish investment in global oil and gas industry and the depressed shipbuilding market, our Group has proactively adopted measures such as conducting downward adjustment in profit expectation in bid proposals or accepting the client's request on lowering the price so as to tackle with the intense market competitions. However, the manufacturing overheads could not be reduced accordingly albeit the substantial drop in turnover, and this resulted in the decrease in the gross profit margin of all business segments on the whole.

The table below set out the analysis of gross profit by business segments for the six months ended 30 June 2017, 2016 and 2015:

	For the six months ended 30 June								
Product / service	**RMB'000**	**2017 Gross profit margin %**	**Percentage of total gross profit**	RMB'000	2016 Gross profit margin %	Percentage of total gross profit	RMB'000	2015 Gross profit margin %	Percentage of total gross profit
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	**1,418**	**5**	**8**	1,744	5	3	11,804	22	14
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**14,505**	**10**	**92**	48,648	15	97	66,065	28	79
3. Provision of technical support services for shipbuilding industry	**-175**	**-2**	**-1**	32	0	0	5,720	21	7
4. Others	**87**	**2**	**1**	-	-	-	-	-	-
Total	**15,835**		**100**	50,424		100	83,589		100

Other Income

Other income of the Group in the first half of 2017 increased by 98.77% or RMB5,936,000 from the corresponding period of last year, which was caused by substantial increase in recognised government grants income as compared with that of the corresponding period of last year.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group in aggregate in the first half of 2017 were approximately RMB53,312,000, representing a decrease of RMB11,726,000 when compared with that of the corresponding period of last year, which was mainly caused by the Group's cut-down of several expenses and the decrease of the allowance for trade and other receivables and fair value losses on derivative financial instruments.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB4,190,000, which was mainly comprised of interest expenses from bank borrowings and other expenses such as bank charges.

Share of Profits of an Associate

The Group held 30% of equity interest in Penglai Jutal. In the first half of 2017, Penglai Jutal recorded net profit after tax of approximately RMB106,780,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB32,034,000 under equity accounting method.

Profit for the Period Attributable to Owners of the Company

In the first half year of 2017, profit attributable to owners of the Company amounted to approximately RMB513,000, which represented an increase of RMB1,459,000 when compared with that of the corresponding period of last year. Basic earnings per share attributable to owners of the Company was RMB0.055 cents.

Liquidity and Financial Resources

As at 30 June 2017, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB942,789,000 (31 December 2016: RMB100,535,000). During the reporting period, net cash generated from operating activities amounted to approximately RMB16,361,000, net cash generated from investing activities amounted to approximately RMB16,344,000, and net cash generated from financing activities amounted to RMB793,706,000.

As at 30 June 2017, the Group had available undrawn banking facilities of approximately RMB190,060,000 (31 December 2016: RMB217,459,000), which includes bank loans, letters of credit, bank guarantees, etc.

Capital Structure

On 15 March 2017, the Company entered into a subscription agreement with Sanju and Golden Talent for the issuance to each of them of 641,566,556 and 161,995,555 subscription shares, totaling 803,562,111 subscription shares, and the Subscription was completed on 2 June 2017.

In addition, during the reporting period, the Company issued 19,000,000 ordinary shares upon exercise of warrants by the holders and issued 6,400,000 ordinary shares upon exercise of share options by the holders.

As at 30 June 2017, the share capital of the Company comprises 1,629,316,389 ordinary shares (31 December 2016: 800,354,278 ordinary shares).

As at 30 June 2017, net assets of the Group amounted to approximately RMB2,055,909,000 (31 December 2016: RMB1,180,542,000), which comprises non-current assets of approximately RMB1,086,269,000 (31 December 2016: RMB1,072,764,000), net current assets of approximately RMB1,027,526,000 (31 December 2016: RMB167,829,000) and non-current liabilities of approximately RMB57,886,000 (31 December 2016: RMB60,051,000).

Significant Investment

For the six months ended 30 June 2017, the Group did not have any significant investment. Investment in relation to the Zhuhai fabrication yard may be commenced in the second half of the year based on actual needs of the Group.

Foreign Exchange Risk

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are denominated in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Hong Kong Dollars ("HKD") would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were denominated in other currencies like USD and HKD, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts.

Assets Pledged by the Group

As at 30 June 2017, approximately RMB17,927,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

At 30 June 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB10,963,000 (31 December 2016: RMB11,596,000).

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios of the Group as at 30 June 2017 and as at 31 December 2016 were as follows:

	30 June 2017	31 December 2016
	RMB'000	RMB'000
Bank borrowings	**127,784**	213,628
Total equity	**2,055,909**	1,180,542
Gearing ratio	**6.22%**	18.10%

Employees and Remuneration Policy

As at 30 June 2017, the Group had total 1,979 employees (31 December 2016: 2,174), of which 434 (31 December 2016: 474) were management and technical staff, and 1,545 (31 December 2016: 1,700) were technicians. During the reporting period, an aggregate amount of salary was RMB86,805,000.

The Group encourages staff to long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding laws and regulations.

The Group places emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees.

2. FUTURE OUTLOOK

Through proactive exploration and innovation in the future development strategies and the business model of the Company, we will not only strive to improve our existing business of equipment manufacturing and engineering services, but also considering further development of operation business areas, so as to gain more stable revenue and cash flow. We will focus on research and development as well as upgrade of the technologies in respect of various areas including crude oil separation, sewage and sludge treatment and oil and gas recovery. Effort will also be devoted in exploration of, and expansion to relevant market. Through technology introduction and cooperation, we will develop new technologies and products for environmental protection in order to make our contribution to energy saving and environmental protection.

In line with the State's "Belt and Road Initiative" and its plans and promotion of energy and technology revolution and innovation, we will actively explore new business areas such as clean energy consumption and seek for any feasible way, such as self-development, merger, acquisition and cooperation, so as to develop new areas of business.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the share options granted to the Directors under the Share Option Scheme of the Company, the Directors and chief executive (including their spouse and children under 18 years of age) had any other interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap.622).

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 2017.

CORPORATE GOVERNANCE

The Company had adopted the Corporate Governance Code (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.

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

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, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2017 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2016 Annual Report and the announcement of the Company dated 12 June 2017.

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

Hong Kong, 18 August 2017

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