

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)

Interim Report
2016



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Financial Highlights

- Turnover was RMB367,122,000, a 14.93% increase from the same period last year.
- Gross profit was RMB50,424,000, a 39.68% decrease from the same period last year.
- Loss attributable to owners of the Company was RMB946,000.
- Basic loss per share was RMB0.001 for the six months ended 30 June 2016.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2016.

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 2016 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2015. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 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 2016 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”).

Independent Review Report



**TO THE BOARD OF DIRECTORS OF
JUTAL OFFSHORE OIL SERVICES LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 23 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

31 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Turnover		367,122	319,444
Cost of sales and service		(316,698)	(235,855)
Gross profit		50,424	83,589
Other income	5	6,010	6,210
Administrative expenses		(59,444)	(56,244)
Other operating expenses		(5,594)	(4,825)
(Loss)/profit from operations		(8,604)	28,730
Finance costs	6	(4,318)	(6,512)
Share of profits of an associate		10,873	14,329
(Loss)/profit before tax		(2,049)	36,547
Income tax credit/(expense)	7	1,103	(5,238)
(Loss)/profit for the period attributable to owners of the Company	8	(946)	31,309
(Loss)/earnings per share	10	RMB	RMB
Basic		(0.1 CENTS)	3.9 CENTS
Diluted		(0.1 CENTS)	3.9 CENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/profit for the period	(946)	31,309
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	4,893	(252)
Other comprehensive income for the period, net of tax	4,893	(252)
Total comprehensive income for the period attributable to owners of the Company	3,947	31,057

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	543,861	536,971
Prepaid land lease payments		450	482
Goodwill		195,581	191,084
Intangible assets		2,806	3,375
Investment in an associate		319,059	308,186
Deferred tax assets		13	765
		1,061,770	1,040,863
Current assets			
Inventories		24,969	25,618
Trade and bills receivables	12	190,777	164,587
Gross amount due from customers for contract work		211,097	189,967
Prepayments, deposits and other receivables		57,378	78,334
Derivative financial instruments		-	926
Due from directors		892	1,147
Due from an associate		-	398
Current tax assets		1,358	227
Pledged bank deposits		36,950	22,141
Bank and cash balances		70,652	58,486
		594,073	541,831

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	13	162,310	141,290
Gross amount due to customers for contract work		22,602	16,483
Accruals and other payables		62,492	78,180
Derivative financial instruments		3,331	2,356
Warranty provisions		3,190	3,058
Bank borrowings		195,941	131,476
Current tax liabilities		38	154
		449,904	372,997
Net current assets		144,169	168,834
Total assets less current liabilities		1,205,939	1,209,697
Non-current liabilities			
Deferred revenue		21,722	21,331
Deferred tax liabilities		28,414	30,871
		50,136	52,202
NET ASSETS		1,155,803	1,157,495
Capital and reserves			
Share capital	14	7,506	7,506
Reserves		1,148,297	1,149,989
TOTAL EQUITY		1,155,803	1,157,495

Approved by the Board of Directors on 31 August 2016

Chairman

Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company (Unaudited)										
	Share capital RMB'000	Share premium account RMB'000	Special reserve RMB'000	Convertible loan notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Warrants reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2015	7,504	851,024	(52,040)	2,951	(59,383)	6,132	160	36,915	326,705	6,401	1,126,369
Total comprehensive income for the period	-	-	-	-	(252)	-	-	-	31,309	-	31,057
Issue of shares on exercise of share options	2	239	-	-	-	(71)	-	-	-	-	170
Share-based payments	-	-	-	-	-	246	-	-	-	-	246
Share options forfeited	-	-	-	-	-	(1,496)	-	-	1,496	-	-
Approval of year 2014 final dividend	-	-	-	-	-	-	-	-	(2)	(6,401)	(6,403)
Changes in equity for the period	2	239	-	-	(252)	(1,321)	-	-	32,803	(6,401)	25,070
At 30 June 2015	7,506	851,263	(52,040)	2,951	(59,635)	4,811	160	36,915	359,508	-	1,151,439
At 1 January 2016	7,506	851,263	(52,040)	2,951	(49,729)	5,525	160	38,642	346,494	6,723	1,157,495
Total comprehensive income for the period	-	-	-	-	4,893	-	-	-	(946)	-	3,947
Share-based payments	-	-	-	-	-	1,084	-	-	-	-	1,084
Approval of year 2015 final dividend	-	-	-	-	-	-	-	-	-	(6,723)	(6,723)
Changes in equity for the period	-	-	-	-	4,893	1,084	-	-	(946)	(6,723)	(1,692)
At 30 June 2016	7,506	851,263	(52,040)	2,951	(44,836)	6,609	160	38,642	345,548	-	1,155,803

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(17,007)	(6,276)
Purchases of property, plant and equipment		(23,369)	(10,628)
Government grant received		2,800	5,170
Other investing cash flows (net)		609	796
NET CASH USED IN INVESTING ACTIVITIES		(19,960)	(4,662)
Bank loans raised		163,473	192,469
Repayment of bank loans		(99,008)	(230,240)
Proceeds from issue of shares on exercise of share options		-	170
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES		64,465	(37,601)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,498	(48,539)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		74,641	108,510
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		390	(252)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		102,529	59,719
Bank and cash balances		70,652	55,090
Pledged bank deposits (mature in three months or less)		31,877	4,629
		102,529	59,719

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

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 on The Stock Exchange of Hong Kong Limited.

The condensed financial statements should be read in conjunction with the 2015 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 2015.

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 2016. 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. FAIR VALUE MEASUREMENTS

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

3. FAIR VALUE MEASUREMENTS (Continued)

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June:

Description	Fair value measurements as at	
	30 June 2016 using level 2 RMB'000	31 December 2015 using level 2 RMB'000
Recurring fair value measurements: Financial assets		
Derivatives		
Foreign currency forward	-	926
Recurring fair value measurements: Financial liabilities		
Derivatives		
Foreign currency forward	3,331	2,356

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

3. FAIR VALUE MEASUREMENTS (Continued)

(b) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2016:**

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

The valuation techniques used and the key inputs to the level 2 fair value measurements are set out below:

Level 2 fair value measurements			Fair value			
Description	Valuation technique	Key inputs	30 June 2016		31 December 2015	
			RMB'000		RMB'000	
			Assets	Liabilities	Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	-	3,331	926	2,356

There were no changes in the valuation techniques used.

4. 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.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

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.

	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)	Total RMB'000 (Unaudited)
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 30 June 2016:				
Segment assets	43,445	929,555	15,184	988,184
Segment liabilities	34,517	184,516	4,832	223,865
Six months ended 30 June 2015				
Revenue from external customers	53,024	238,972	27,448	319,444
Segment profit	11,804	66,065	5,720	83,589
At 31 December 2015:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	43,308	894,374	16,070	953,752
Segment liabilities	26,781	167,984	3,796	198,561

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	50,424	83,589
Unallocated amounts:		
Other income	6,010	6,210
Finance costs	(4,318)	(6,512)
Other corporate expenses	(65,038)	(61,069)
Share of profits of an associate	10,873	14,329
Consolidated (loss)/profit before tax for the period	(2,049)	36,547

5. OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment	24	143
Interest income	188	438
Net foreign exchange gains	3,378	336
Government grant recognised	2,413	2,951
Fair value gains on derivative financial instruments	-	1,825
Sundry income	7	517
	6,010	6,210

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

6. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on bank loans	3,886	5,665
Others	432	847
	4,318	6,512

7. INCOME TAX EXPENSE CREDIT/(EXPENSE)

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax Provision for the period	(50)	–
(Under)/over provision in prior periods	(552)	589
	(602)	589
Deferred tax	1,705	(5,827)
	1,103	(5,238)

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 (six months ended 30 June 2015: Nil).

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.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Allowance for inventories	448	–
Allowance for trade and other receivables	1,918	4,550
Fair value losses/(gains) on derivative financial instruments	2,431	(1,825)
Directors' emoluments		
– As directors	180	240
– For management	2,253	2,168
– Share-based payments	1,084	–
	3,517	2,408

9. DIVIDENDS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Final dividend for the year ended 31 December 2015 approved – HK\$0.01 (2014: HK\$0.01) per ordinary share	6,723	6,403

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	(946)	31,309
Number of shares		
Weighted average number of ordinary shares used in basic loss/earnings per share calculation	800,354,278	800,224,996
Effect of dilutive potential ordinary shares arising from share options	-	1,347,398
Weighted average number of ordinary shares used in diluted loss/earnings per share calculation	800,354,278	801,572,394

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately RMB23,369,000 (six months ended 30 June 2015: RMB10,628,000).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	179,002	146,506
Allowance for doubtful debts	(6,937)	(5,019)
	172,065	141,487
Bills receivables	18,712	23,100
	190,777	164,587

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 30 days	74,206	71,522
31 to 90 days	56,352	37,171
91 to 365 days	35,764	10,949
Over 365 days	5,743	21,845
	172,065	141,487

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

13. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	153,288	115,833
Bills payables	9,022	25,457
	162,310	141,290

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 30 days	61,644	64,535
31 to 90 days	61,421	21,423
91 to 365 days	20,873	20,835
Over 365 days	9,350	9,040
	153,288	115,833

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each At 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	1,500,000,000	15,000

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

14. SHARE CAPITAL (Continued)

	Number of shares	Amount HK\$'000	Equivalent to amount RMB'000
Note			
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 January 2015 (Audited)	800,154,278	8,002	7,504
Exercise of share options (a)	200,000	2	2
At 31 December 2015 (Audited) and 30 June 2016 (Unaudited)			
	800,354,278	8,004	7,506

Note:

- (a) Share options were exercised by option holders during the year ended 31 December 2015 to subscribe for a total of 200,000 ordinary shares in the Company at total consideration of approximately HK\$212,000 equivalent to approximately RMB170,000 of which approximately RMB2,000 was credited to share capital and the balance of approximately RMB168,000 was credited to the share premium account. Approximately RMB71,000 has been transferred from the share-based payment reserve to the share premium account.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

15. 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:

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Contract revenue and other sales income received/receivable from a related company, Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore")	(a)	25,929	34,963
Contract revenue received/receivable from an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited		85	4,160

Note:

- (a) Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company. At 30 June 2016, contract revenue receivable of approximately RMB2,180,000 (At 31 December 2015: RMB6,817,000) from Dalian Shipbuilding Offshore was included in the Group's trade and bills receivables.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2016

16. 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 stage of completion of the respective projects. Therefore, the Group is unable to forecast the trend of seasonality and its impact to the Group's financial results.

17. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	1,213	11,081

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2016 (At 31 December 2015: Nil).

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 August 2016.

Management Discussion and Analysis

1. BUSINESS REVIEW

Our Group continued to implement management policies to enhance the productivity and reduce the cost of our Group during the year. In order to align with the future development strategies and the requirements on business integration, we have carried forward several changes. In the first half of the year, we have further adjusted the department and personnel structure, moving our main functional department and the offshore oil and gas services business originally located in Shenzhen progressively to our Zhuhai manufacturing base, terminating the tenancy of the Shenzhen service venue and this has enhanced the efficiency on management and coordination as well as reduced the rental expenses.

In the first half of the year, our Group has delivered our projects as scheduled including the first E-House project taken up by the Zhuhai manufacturing base and massive jumper & spool project for deepwater gas field. For another Floating Production Storage and Offloading (“FPSO”) topside modules production project taken up in 2015 has also delivered successfully in August. There also had significant progress in key projects symbolizing Jutal merging towards maturity in terms of the safety, quality, design, production and project management level of the high-end modules production. With the solid fundamental of the traditional land and offshore oil and gas facilities business, we have achieved one step forward on the transformation of FPSO topside modules production business. This has laid a well foundation for our Group to implement strategies for the development of the high-end offshore engineering equipment manufacturing business.

Turnover

The Group recorded a total turnover of approximately RMB367,122,000 in the first half of year 2016, representing a increase of RMB47,678,000 or 14.93% compared to the corresponding period of last year. Due to that most of the works of several large projects taken up in the second half of year 2015 were completed in the first half of the year, there was an increase of RMB81,958,000 or 34.30% in the turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment compared to the corresponding period of last year; the turnover from the business of providing technical support and related services to oil and gas industry and the sales of related equipment and materials and the business of providing technical support services to shipbuilding industry decreased by 36.34% and 54.68% respectively compared to the corresponding period of last year. The decrease in turnover was primarily due to the persistent sluggishness in the investment in the global oil and gas industry and in shipbuilding market and the large extent in the reduction of investment and this resulted in the decrease in workload and service price of our Group.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Turnover (Continued)

The table below set out the analysis of turnover by business segments for the six months ended 30 June 2016, 2015 and 2014:

Product/service	For the six months ended 30 June					
	2016		2015		2014	
	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	33,753	9	53,024	16	49,773	11
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	320,930	87	238,972	75	385,943	83
3. Provision of technical support services for shipbuilding industry	12,439	4	27,448	9	26,131	6
Total	367,122	100	319,444	100	461,847	100

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Cost of Sales and Service

In the reporting period, cost of sales and service of the Group amounted to approximately RMB316,698,000, representing a increase of RMB80,843,000 or a rise of 34.28% compared to the corresponding period of last year. Cost of sales and service comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB279,703,000, representing 88.32% of total cost of sales and service, and a increase of RMB73,820,000 or a rise of 35.86% from RMB205,883,000 in 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 increased by RMB7,023,000 or a growth of 23.43% from RMB29,972,000 in the corresponding period of last year to approximately RMB36,995,000 in current reporting period.

Gross Profit

The total amount of gross profit of the Group amounted to approximately RMB50,424,000 for the reporting period, representing a decrease of RMB33,165,000 or a drop of 39.68% compared to RMB83,589,000 in the corresponding period of last year. The overall gross profit margin decreased to 13.73% from 26.17% in the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of our different business segments. Affected by the persistent sluggishness in the investment in the global oil and gas industry and in shipbuilding market, our Group has proactively adopted measures such as lowering the profit expectation in the bid or accepting the client's request on lowering the price so as to cope with the intense market competitions, and this resulted in a decrease in the gross profit margin of all of our business segments.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Gross Profit (Continued)

The table below set out the analysis of gross profit by business segments for the six months ended 30 June 2016, 2015 and 2014:

Product/service	For the six months ended 30 June								
	2016			2015			2014		
	RMB'000	Gross profit margin %	Percentage of total gross profit	RMB'000	Gross profit margin %	Percentage of total gross profit	RMB'000	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	1,744	5	3	11,804	22	14	15,240	31	15
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	48,648	15	97	66,065	28	79	80,449	21	81
3. Provision of technical support services for shipbuilding industry	32	0	0	5,720	21	7	4,359	17	4
Total	50,424		100	83,589		100	100,048		100

Other income

Other income of the Group in the first half of 2016 was approximately RMB6,010,000, representing a decrease of 3.22% or RMB200,000 compared to the corresponding period of last year.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group in aggregate in the first half of 2016 were approximately RMB65,038,000, representing an increase of RMB3,969,000 compared to the corresponding period of last year.

Finance Costs

In the reporting period, finance costs of the Group amounted to approximately RMB4,318,000, 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 Offshore Engineering Heavy Industries Co. Ltd. ("Penglai Jutal"). In the first half of 2016, Penglai Jutal recorded net profit after tax of approximately RMB36,243,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB10,873,000 under equity accounting method.

Loss for the Period Attributable to Owners of the Company

In the first half of 2016, loss attributable to owners of the Company amounted to approximately RMB946,000. Basic loss per share attributable to owners of the Company was approximately RMB0.001.

Liquidity and Financial Resources

As at 30 June 2016, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB102,529,000 (31 December 2015: RMB74,641,000). During the period, net cash used in operating activities amounted to approximately RMB17,007,000, net cash used in investing activities amounted to approximately RMB19,960,000, and net cash generated from financing activities amounted to RMB64,465,000.

As at 30 June 2016, the Group had approximately RMB439,367,000 (31 December 2015: RMB417,856,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Capital Structure

As at 30 June 2016 and 31 December 2015, the share capital of the Company comprised 800,354,278 ordinary shares.

As at 30 June 2016, the net assets of the Group amounted to approximately RMB1,155,803,000 (31 December 2015: RMB1,157,495,000), comprising non-current assets of approximately RMB1,061,770,000 (31 December 2015: RMB1,040,863,000), net current assets of approximately RMB144,169,000 (31 December 2015: RMB168,834,000) and non-current liabilities of approximately RMB50,136,000 (31 December 2015: RMB52,202,000).

Significant Investment

The Group does not have any significant investment in the reporting period.

Foreign Exchange Risk

Most of the Group's business transactions, assets and liabilities are principally denominated in Renminbi, Euro and United States dollars ("US\$"). During the period, the Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US\$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

Assets Pledged by the Group

As at 30 June 2016, in order to obtain better financing conditions, the Group has pledged a parcel of land located in Zhuhai with a carrying amount of approximately RMB37,065,000 in favor of a commercial bank in China. Approximately RMB36,950,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB7,300,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Contingent Liabilities

As at 30 June 2016, 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 at 30 June 2016 and at 31 December 2015 were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Bank borrowings	195,941	131,476
Total equity	1,155,803	1,157,495
Gearing ratio	16.95%	11.36%

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Employees and Remuneration Policy

As at 30 June 2016, the Group had a total of 2,531 employees (31 December 2015: 2,969), of which 517 (31 December 2015: 596) were management and technical staff, and 2,014 (31 December 2015: 2,373) were technicians. Total staff cost for the reporting period was approximately RMB126,575,000.

The Group encourages staff to long-term service, strives to create a fair and open competition environment, and commits 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 puts emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees.

2. FUTURE OUTLOOK

Upon the completion of the integration and adjustment of our management functions, our Group will continue focus its effort in market promotion, cutting expenses and enhancing efficiency in the second half of the year. Notwithstanding that the industry is under contraction in the present business environment, there are areas and territories that still show considerable market opportunities. We endeavor to deploy all of our resources in an effort to achieve outstanding operation results.

Directors Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2016.

SHARE OPTION

The Company's share option schemes ("Share Option Schemes") 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 Company's 2006 share option scheme ("2006 Share Option Scheme") was adopted on 28 August 2006 by 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 General Scheme Limit of the 2006 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 2006 Share Option Scheme must not, in aggregate, exceed 49,800,000 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares).

The General Scheme Limit of the 2006 Share Option Scheme has been once again refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 25 May 2012. The total number of Shares which may be issued upon exercise of all options to be granted under the 2006 Share Option Scheme must not, in aggregate, exceed 62,279,927 shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (622,799,278 Shares) and 7.78% of the shares in issue on the date of this interim report (800,354,278 shares).

Directors Report and Corporate Governance

SHARE OPTION (Continued)

The 2006 Share Option Scheme will expire on 20 September 2016, and a new share option scheme of the Company (“New Share Option Scheme”) has been adopted conditionally by Shareholder’s resolution at the Company’s Annual General Meeting held on 8 June 2016 with a valid period of 10 years commencing on the date of adoption. Unless approval of the shareholders has been obtained, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme must not, in aggregate, exceed 80,035,427 shares, representing 10% of the shares in issue on the date of the said Annual General Meeting and on the date of this interim report (800,354,278 shares).

Unless approval of the shareholders has been obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

According to the terms of the Share Option Schemes, the consideration for the grant of the options should be HK\$1.00. The options may be exercised in accordance with the terms of the Share Option Scheme at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

Directors Report and Corporate Governance

SHARE OPTION (Continued)

Details of the options approved by the Board and granted by the Company to Directors and other eligible participants under the Share Option Scheme from 1 January 2007 to 30 June 2016 are as follows:

(i) Options granted in 2007

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	-	2,000,000	0.25%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	-	1,000,000	0.13%
Zhao Wuhui	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	450,000	-	-	-	-	450,000	0.06%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	200,000	-	-	-	-	200,000	0.02%
Total					3,650,000	-	-	-	-	3,650,000	0.46%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options or the share option scheme during the period	Number of options lapsed in accordance with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	-	-	2,000,000	0.25%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	-	-	1,200,000	0.15%
Zhao Wuhui	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	500,000	-	-	-	-	-	500,000	0.06%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,400,000	-	-	-	-	-	1,400,000	0.18%
Total					5,100,000	-	-	-	-	-	5,100,000	0.64%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	-	-	800,000	0.10%
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	200,000	-	-	-	-	200,000	0.02%
Total					1,000,000	-	-	-	-	1,000,000	0.12%

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	2,400,000	-	-	-	-	2,400,000	0.30%
Total					2,400,000	-	-	-	-	2,400,000	0.30%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(v) Options granted in 2011

Name of grantee	Date of grant of the options	Exercise period of the options	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
											Number of options lapsed in accordance with the terms of the share option scheme during the period
Cao Yunsheng	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	-	-	-	-	1,000,000	0.13%
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,700,000	-	-	-	-	1,700,000	0.21%
Total					2,700,000	-	-	-	-	2,700,000	0.34%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(vi) Options granted in 2015

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options as at 1 January 2016	Number of options exercised during the period	Weighted average closing price of the Shares immediately before the dates of exercise (HK\$)	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the share option scheme during the period	Number of options outstanding as at 30 June 2016	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	5,000,000	-	-	-	-	5,000,000	0.62%
Cao Yunsheng	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	8,000,000	-	-	-	-	8,000,000	1.00%
Total					13,000,000	-	-	-	-	13,000,000	1.62%

Each option granted under the Share Option Schemes during the period gives the holder the right to subscribe for one Share. The price for granting the options is HK\$1. The exercise price determined by the Board is not less than the highest of:

- (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of the share of the Company at the time of exercise of an option.

Directors Report and Corporate Governance

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 30 June 2016, the interests and short positions of each Directors and chief executive in the shares, underlying shares and debentures of the company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept by the Company under section Part XV of the SFO, or as otherwise 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:

Name of Directors	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L)	49.59%
	Share options	9,000,000 (L)	1.12%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	12,000,000 (L)	1.50%
	Share options	12,000,000 (L)	1.50%
Tang Hui	Beneficial owner	366,000 (L)	0.05%
Qi Daqing	Beneficial owner	1,550,000 (L)	0.19%

Directors Report and Corporate Governance

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER 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.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 30 June 2016, in addition to those of the Directors and chief executives already disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of Part XV of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Directors Report and Corporate Governance

Name of Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	396,911,278 (L) (Note 1)	49.59%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, director and substantial shareholder of the Company.

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 2016.

Directors Report and Corporate Governance

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Code Provisions”) introduced in Appendix 14 of the Listing Rules to maintain a high standards of corporate governance so as to improve the corporate transparency and protect the interests of the Shareholders.

In the opinion of the directors, the Company has complied with the Code Provisions, 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 accessed to the monthly internal financial statements as well. The reason for such deviation from the Code Provisions is to enhance the Company’s efficiency and confidentiality.

There are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code regarding directors’ securities transactions in the reporting period.

Directors Report and Corporate Governance

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises three 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 2016 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 2015 Annual Report.

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

Hong Kong, 31 August 2016

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 : 800,354,278 ordinary shares
 Website : <http://www.jutal.com>

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (*Chairman*)
 Mr. Cao Yunsheng (*CEO*)
 Mr. Tang Hui
 Mr. Li Jing

Independent non-executive directors

Mr. Su Yang
 Mr. Xiang Qiang
 Mr. Qi Daqing

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Ms. Leung Fung Yee Alice

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