

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)

2015
Interim Report



Contents

FINANCIAL HIGHLIGHTS	2
INDEPENDENT REVIEW REPORT	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	5
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	23
DIRECTORS REPORT AND CORPORATE GOVERNANCE	32
CORPORATE INFORMATION	44



Financial Highlights

- Turnover was RMB319,444,000, a 30.83% decrease from the same period last year.
- Gross profit was RMB83,589,000, a 16.45% decrease from the same period last year.
- Profit attributable to owners of the Company was RMB31,309,000, a 4.49% decrease from the same period last year.
- Basic earnings per share was RMB0.039 for the six months ended 30 June 2015.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2015.

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 2015 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2014. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 has been reviewed by the audit committee of the Company (the “Audit Committee”). RSM Nelson Wheeler, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”).

Independent Review Report



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 22 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2015 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 Nelson Wheeler

Certified Public Accountants

Hong Kong

31 August 2015

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover		319,444	461,847
Cost of sales and service		(235,855)	(361,799)
Gross profit		83,589	100,048
Other income	4	6,210	1,438
Administrative expenses		(56,244)	(57,840)
Other operating expenses		(4,825)	(990)
Profit from operations		28,730	42,656
Finance costs	5	(6,512)	(10,180)
Share of profits of an associate		14,329	8,256
Profit before tax		36,547	40,732
Income tax expense	6	(5,238)	(7,950)
Profit for the period attributable to owners of the Company	7	31,309	32,782
Earnings per share	9	RMB	RMB
Basic		3.9 CENTS	4.5 CENTS
Diluted		3.9 CENTS	4.4 CENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit for the period	31,309	32,782
Other comprehensive income: <i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(252)	(405)
Other comprehensive income for the period, net of tax	(252)	(405)
Total comprehensive income for the period attributable to owners of the Company	31,057	32,377

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	521,624	525,442
Prepaid land lease payments		515	547
Goodwill		182,090	182,090
Intangible assets		2,725	3,366
Investment in an associate		304,643	290,314
Derivative financial instruments		590	–
Deferred tax assets		5,426	7,677
		1,017,613	1,009,436
Current assets			
Inventories		22,270	19,752
Trade and bills receivables	11	231,731	288,518
Gross amount due from customers for contract work		184,462	215,333
Prepayments, deposits and other receivables		57,675	65,325
Due from directors		1,690	1,387
Due from an associate		2,957	170
Derivative financial instruments		1,235	–
Current tax assets		2,609	1,417
Pledged bank deposits		32,874	31,498
Bank and cash balances		55,090	95,426
		592,593	718,826

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	12	116,833	217,164
Gross amount due to customers for contract work		8,084	5,452
Accruals and other payables		95,109	107,025
Warranty provisions		3,000	2,701
Bank borrowings		192,469	230,240
Current tax liabilities		-	1,661
		415,495	564,243
Net current assets		177,098	154,583
Total assets less current liabilities		1,194,711	1,164,019
Non-current liabilities			
Deferred revenue		10,049	8,000
Deferred tax liabilities		33,223	29,650
		43,272	37,650
NET ASSETS		1,151,439	1,126,369
Capital and reserves			
Share capital	13	7,506	7,504
Reserves		1,143,933	1,118,865
TOTAL EQUITY		1,151,439	1,126,369

Approved by the Board of Directors on 31 August 2015

Chairman

Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company (Unaudited)										
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Warrants reserves	Statutory reserves	Retained profits	Proposed final dividend	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	6,958	755,972	(52,040)	2,951	(61,645)	13,888	-	36,385	304,521	11,564	1,018,554
Total comprehensive income for the period	-	-	-	-	(405)	-	-	-	32,782	-	32,377
Issue of shares on exercise of share options	32	4,478	-	-	-	(1,139)	-	-	-	-	3,371
Share-based payments	-	-	-	-	-	859	-	-	-	-	859
Share options forfeited	-	-	-	-	-	(259)	-	-	259	-	-
Approval of year 2013 final dividend	-	-	-	-	-	-	-	-	(25)	(11,564)	(11,589)
Changes in equity for the period	32	4,478	-	-	(405)	(539)	-	-	33,016	(11,564)	25,018
At 30 June 2014	6,990	760,450	(52,040)	2,951	(62,050)	13,349	-	36,385	337,537	-	1,043,572
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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(6,276)	(14,679)
Purchases of property, plant and equipment		(10,628)	(65,074)
Government grant received		5,170	-
Acquisition of a subsidiary		-	(6,208)
Other investing cash flows (net)		796	403
NET CASH USED IN INVESTING ACTIVITIES		(4,662)	(70,879)
Bank loans raised		192,469	273,350
Repayment of bank loans		(230,240)	(174,000)
Proceeds from issue of shares on exercise of share options		170	3,371
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(37,601)	102,721
NET INCREASE IN CASH AND CASH EQUIVALENTS		(48,539)	17,163
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		108,510	100,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(252)	(405)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		59,719	117,023
Bank and cash balances		55,090	102,737
Pledged bank deposits (mature in three months or less)		4,629	14,286
		59,719	117,023

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014.

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 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group has 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 2015

3. 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 2015				
Revenue from external customers	53,024	238,972	27,448	319,444
Segment profit	11,804	66,065	5,720	83,589
At 30 June 2015:				
Segment assets	39,775	922,224	20,875	982,874
Segment liabilities	15,483	153,562	14,853	183,898
Six months ended 30 June 2014				
Revenue from external customers	49,773	385,943	26,131	461,847
Segment profit	15,240	80,449	4,359	100,048
At 31 December 2014:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	47,225	1,008,043	26,109	1,081,377
Segment liabilities	24,102	257,738	13,217	295,057

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	83,589	100,048
Unallocated amounts:		
Other income	6,210	1,438
Finance costs	(6,512)	(10,180)
Other corporate expenses	(61,069)	(58,830)
Share of profits of an associate	14,329	8,256
Consolidated profit before tax for the period	36,547	40,732

4. OTHER INCOME

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment	143	62
Interest income on bank deposits	438	280
Net foreign exchange gains	336	788
Government grant recognised	2,951	–
Fair value gains on derivative financial instruments	1,825	–
Sundry income	517	308
	6,210	1,438

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

5. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank loans	5,665	8,837
Others	847	1,343
	6,512	10,180

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax – PRC Enterprise Income Tax Provision for the period	-	2,945
(Over)/under provision in prior periods	(589)	378
	(589)	3,323
Deferred tax	5,827	4,627
	5,238	7,950

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 2014: Nil).

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 2015

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Allowance for trade and other receivables	4,550	950
Amortisation of intangible assets	641	889
Amortisation of prepaid land lease payment	32	32
Depreciation	14,231	10,745
Directors' emoluments		
– As directors	240	240
– For management	2,168	2,634
– Share-based payments	–	60
	2,408	2,934

8. DIVIDENDS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Approved of final dividend for the year ended 31 December 2014 – HK\$0.01 (2013: HK\$0.02) per ordinary share	6,403	11,589

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	31,309	32,782
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	800,224,996	732,223,726
Effect of dilutive potential ordinary shares arising from share options	1,347,398	10,458,433
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	801,572,394	742,682,159

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

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

9. EARNINGS PER SHARE (Continued)

Diluted earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately RMB10,628,000 (six months ended 30 June 2014: RMB65,074,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	216,811	263,766
Allowance for doubtful debts	(11,981)	(7,463)
	204,830	256,303
Bills receivables	26,901	32,215
	231,731	288,518

The Group's trade receivables mainly represent progress billings receivables from contract customers.

The Group's trading terms with contract customers are mainly on credit. The credit terms other than retentions receivable generally range from 30 to 90 days. The credit terms for retentions receivable generally range from 12 to 24 months after the completion of the contracts. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 30 days	44,066	95,784
31 to 90 days	79,531	102,574
91 to 365 days	66,591	43,502
Over 365 days	14,642	14,443
	204,830	256,303

12. TRADE AND BILLS PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	110,458	205,777
Bills payables	6,375	11,387
	116,833	217,164

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

12. TRADE AND BILLS PAYABLES (Continued)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 30 days	14,596	65,274
31 to 90 days	22,199	42,236
91 to 365 days	61,023	89,636
Over 365 days	12,640	8,631
	110,458	205,777

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2014 (Audited) and		
30 June 2015 (Unaudited)	1,500,000,000	15,000

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

13. SHARE CAPITAL (Continued)

	Note	Number of shares	Amount HK\$'000	Equivalent to amount RMB'000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January 2014 (Audited)		731,899,278	7,319	6,958
Exercise of share options	(a)	28,255,000	283	226
Issue of shares on subscription	(b)	40,000,000	400	320
At 31 December 2014 (Audited)		800,154,278	8,002	7,504
Exercise of share options	(c)	200,000	2	2
At 30 June 2015 (Unaudited)		800,354,278	8,004	7,506

Note:

- (a) Share options were exercised by option holders during the year ended 31 December 2014 to subscribe for a total of 28,255,000 ordinary shares in the Company at total consideration of approximately HK\$34,297,000 equivalent to approximately RMB27,437,000 of which approximately RMB226,000 was credited to share capital and the balance of approximately RMB27,211,000 was credited to the share premium account. Approximately RMB9,057,000 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 2015

13. SHARE CAPITAL (Continued)

Note: (Continued)

- (b) On 7 July 2014, the Company and not less than six independent investors entered into a share subscription agreement in respect of subscription of 40,000,000 ordinary shares of HK\$0.01 each to the independent investors at a price of HK\$1.85 per share. The subscription was completed on 23 July 2014 and the premium on the issue of shares, amounting to approximately RMB58,784,000, net of share issue expenses, was credited to the Company's share premium account.
- (c) Share options were exercised by option holders during the six months period ended 30 June 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.

14. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 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)	34,963	28,419
Contract revenue received/receivable from an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") (b)	4,160	–

Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

14. RELATED PARTY TRANSACTIONS (Continued)

- (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 2015, contract revenue receivable of approximately RMB5,916,000 (At 31 December 2014: RMB12,138,000) from Dalian Shipbuilding Offshore was included in the Group's trade and bills receivables.
- (b) At 30 June 2015, contract revenue receivable of approximately RMB3,175,000 (At 31 December 2014: Nil) from Penglai Jutal was included in the Group's due from an associate.

15. SEASONALITY

The Group's revenue from the oil and gas industry is subject to seasonal factors and the Group's financial results will be affected by the number and size of projects awarded to the Group through tendering process and the progress of completion of such projects. Therefore, the Group is unable to forecast the trend of seasonality and its impact to the Group's financial results.

16. CAPITAL COMMITMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	25,371	1,142

17. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (At 31 December 2014: Nil).

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 August 2015.

Management Discussion and Analysis

1. BUSINESS REVIEW

Since 2015, the Group has adopted various measures to strive to reduce cost and enhance efficiency and expand the market etc., so as to actively cope with the market situation after the fall in oil price. All division businesses were carried out orderly, contribute to maintain a stable operation. We continued to maintain a high quality work in the projects related to FPSO construction, which was contracted last year, and have realized a satisfactory earning. The subsea equipments for offshore gas fields project in Australia were totally completed and delivered in the reporting period. We have achieved not only high-quality manufacturing but also excellent safety performance of more than 2 million working hours of zero loss and injury incident. As a result, our client specially awarded us with the honour of “Year Recognition Contractor”. We have also started further construction of our Zhuhai manufacturing site to prepare for future projects needs.

Turnover

The Group recorded a total turnover of approximately RMB319,444,000 in the first half of year 2015, representing a decrease of RMB142,403,000 or 30.83% compared to the corresponding period of last year, primarily due to a decrease of approximately RMB146,971,000 or 38.08% in 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 increased slightly by 6.53% and 5.04% respectively, which represents a slight increase as compared to the same period in last year. The significant decrease in turnover from the business of fabrication of oil and gas facilities and oil and gas processing skid equipment as compared to the corresponding period of last year was primarily due to that several relatively long-term large projects were substantially completed in last year, and some potential projects that the Group had been tracking were suspended or deferred due to the clients' compression in investment caused by the drop in the international oil price, resulting in the decrease in workload in the first half of the year as compared to the past.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Turnover (Continued)

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2013, 2014 and 2015:

Product/service	For the six months ended 30 June					
	2015		2014		2013	
	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	53,024	16	49,773	11	41,602	11
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	238,972	75	385,943	83	307,458	83
3. Provision of technical support services for shipbuilding industry	27,448	9	26,131	6	21,694	6
Total	319,444	100	461,847	100	370,754	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 RMB235,855,000, representing a decrease of RMB125,944,000 or a drop of 34.81% 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 RMB205,883,000, representing 87.29% of total cost of sales and service, and a decrease of RMB127,584,000 or a decrease of 38.26% from RMB333,467,000 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 RMB1,640,000 or a growth of 5.79% from RMB28,332,000 in the corresponding period of last year to approximately RMB29,972,000 in current reporting period.

Gross Profit

The total amount of gross profit of the Group amounted to approximately RMB83,589,000 for the reporting period, representing a decrease of RMB16,459,000 or a decrease of 16.45% compared to RMB100,048,000 in the corresponding period of last year. The overall gross profit margin increased to 26.17% from 21.66% 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 in the current period.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Gross Profit (Continued)

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2013, 2014 and 2015:

Product/service	2015		For the six months ended 30 June				2013		
	Gross profit	Percentage	2014		2013		Gross profit	Percentage	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	11,804	22	14	15,240	31	15	6,276	15	6
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	66,065	28	79	80,449	21	81	92,114	30	89
3. Provision of technical support services for shipbuilding industry	5,720	21	7	4,359	17	4	5,554	26	5
Total	83,589		100	100,048		100	103,944		100

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Other income

Other income of the Group in the first half of 2015 increased by 331.85% or RMB4,772,000 as compared to the corresponding period of the last year, primarily due to recognition of government grant of RMB2,951,000 and fair value gains on derivative financial instruments of RMB1,825,000 during the period.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group in the first half of 2015 were approximately RMB61,069,000, representing an increase of RMB2,239,000 compared to the corresponding period of the last year.

Finance Costs

In the reporting period, finance costs of the Group reached approximately RMB6,512,000, 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 2015, Penglai Jutal recorded net profit after tax of approximately RMB47,763,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB14,329,000 under equity accounting method.

Profit for the period Attributable to Owners of the Company

In the first half of 2015, profit attributable to owners of the Company amounted to approximately RMB31,309,000, representing a decrease of 4.49% compared to the corresponding period in last year. Basic earnings per share attributable to owners of the Company were approximately RMB0.039.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Liquidity and Financial Resources

As at 30 June 2015, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB59,719,000 (31 December 2014: RMB108,510,000). During the period, net cash outflow from operating activities amounted to approximately RMB6,276,000, net cash outflow from investing activities amounted to approximately RMB4,662,000, and net cash outflow from financing activities amounted to RMB37,601,000.

As at 30 June 2015, the Group had a total of banking facilities amounted to approximately RMB365,675,000, of which approximately RMB225,065,000 was utilized and approximately RMB140,610,000 was unutilized. Unutilized banking facilities available for raising bank loans was approximately RMB79,000,000. As at 30 June 2015, bank borrowings of the Group amounted to approximately RMB192,469,000.

Capital Structure

During the reporting period, 200,000 ordinary shares were issued by exercising share options under the Company's share option scheme.

As at 30 June 2015, the share capital of the Company comprised 800,354,278 ordinary shares (31 December 2014: 800,154,278 ordinary shares).

As at 30 June 2015, the net assets of the Group amounted to approximately RMB1,151,439,000 (31 December 2014: RMB1,126,369,000), comprising non-current assets of approximately RMB1,017,613,000 (31 December 2014: RMB1,009,436,000), net current assets of approximately RMB177,098,000 (31 December 2014: RMB154,583,000) and non-current liabilities of approximately RMB43,272,000 (31 December 2014: RMB37,650,000).

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Significant Investment

The Group is processing further construction in the Zhuhai manufacturing site, and expects to complete in the second half of this year. The investment budget is about RMB50 million. Save as above, the Group does not foresee any other significant investment in the reporting period.

Foreign Exchange Risk

The principal place of production and operation of the Group is in the People's Republic of China, 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 priced 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 priced 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 2015, a piece of land of the Group located in Zhuhai and part of its building structures and plant with carrying amount of RMB210,738,000 were pledged to a commercial bank in China in order to obtain better financing conditions. The bank deposits of approximately RMB32,874,000 were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

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 2015 and at 31 December 2014 were as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bank borrowings	192,469	230,240
Total equity	1,151,439	1,126,369
Gearing ratio	16.72%	20.44%

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

Employees and Remuneration Policy

As at 30 June 2015, the Group had a total of 3,048 employees (31 December 2014: 3,353), of which 582 (31 December 2014: 664) were management and technical staff, and 2,466 (31 December 2014: 2,689) were technicians. Total staff cost for the reporting period was approximately RMB140,613,000.

The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding laws and regulations.

The Group puts emphasis on development of employees, encourages employees to pursue continuous education, and formulates training programs for employees every year.

2. FUTURE OUTLOOK

Currently, the industry faces the challenge of low oil prices. The Group will continue to exercise cost control on various expenses, boost production efficiency, actively explore different market opportunities and formulate specific market strategies. Recently, we will focus on our operations on business including our newly awarded orders such as the fabrication of FPSO's topside modules, the construction of facilities for E-House package and the fabrication of gas facilities for the overseas market. We will also further enhance the facilities of the Zhuhai manufacturing site according to our business plan and project construction requirements.

Directors Report and Corporate Governance

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015.

SHARE OPTION

The Company's share option scheme ("Share Option Scheme") was adopted on 28 August 2006 by the way of passing resolutions by all of the then Shareholders of the Company with a valid period of 10 years commencing on the date on which the shares of the Company commenced trading on the main board of the Stock Exchange. The Share Option Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the board of Directors (the "Board"); and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The General Scheme Limit of the Share Option Scheme has been refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 49,800,000 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares). 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.

Directors Report and Corporate Governance

SHARE OPTION (Continued)

The General Scheme Limit of the Share Option Scheme has been refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 25 May 2012. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 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 2014 annual report (800,154,278) and 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 Scheme, the consideration for the grant of the options should be HK\$1.00. The options may be exercised in accordance with the terms of the Share Option Scheme at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

Directors Report and Corporate Governance

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 2015 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 2015	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 2015	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%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	1,000,000	-	-
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					4,650,000	-	-	-	1,000,000	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 2015	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 outstanding as at 30 June 2015	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%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	-	-
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					6,300,000	-	-	-	1,200,000	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 2015	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 2015	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%

Directors Report and Corporate Governance

SHARE OPTION (Continued)

(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 2015	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 2015	Shareholding percentage of the underlying shares for the share capital of the Company
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	3,900,000	-	-	-	1,500,000	2,400,000	0.30%
Total					3,900,000	-	-	-	1,500,000	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	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 2015	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 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
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	2,900,000	200,000	1.61	-	1,000,000	1,700,000	0.21%
Total					3,900,000	200,000		-	1,000,000	2,700,000	0.34%

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

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

Directors Report and Corporate Governance

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

As at 30 June 2015, the interests of the Directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in the Listing Rules, were as follows:

(i) The Company

Name of Directors	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L)	49.59%
	Share options	4,000,000 (L)	0.50%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	12,000,000 (L)	1.50%
	Share options	4,000,000 (L)	0.50%
Zhao Wuhui	Share options	950,000 (L)	0.12%

Directors Report and Corporate Governance

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

(ii) Associated Corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares	Percentage of shareholding in the associated corporation
Wang Lishan	Cheung Hing Investments Limited (Note 4)	Beneficial owner	1 (L)	100%

Notes:

- The letter "L" denotes a long position in the Shares.
- The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
- The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.
- Cheung Hing Investments Limited in turn owns 1 ordinary share of Prospering Investments Limited (representing 100% shareholding in Prospering Investments Limited), and 1 ordinary share of Gold Designs International Limited (representing 100% shareholding in Gold Designs International Limited).

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at 30 June 2015. Save and except Wang Lishan, director of Cheung Hing Investments Limited, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors Report and Corporate Governance

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the following persons had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested in 5% or more shares or underlying shares which be entered in the register maintained by the Company pursuant to section 336 of the SFO referred to therein:

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

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

No time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Directors Report and Corporate Governance

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

In the reporting period, 200,000 ordinary shares were issued by exercising share options under the Company's share option scheme.

Saved as disclosed above, 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 2015.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2015 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.

Directors Report and Corporate Governance

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 2014 Annual Report and the announcement of the Company dated 31 July 2015.

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

Hong Kong, 31 August 2015

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. Zhao Wuhui
Mr. Li Chunyi

Independent non-executive directors

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

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1102-1103, 11th Floor,
No. 9 Queen's Road,
Central, Hong Kong

HEADQUARTERS IN THE PRC

10th Floor, Chiwan Petroleum Building,
Shekou, Nanshan District,
Shenzhen, The PRC 518068
Tel: (86 755) 26694111
Fax: (86 755) 26694666

LEGAL ADVISORS

As to Hong Kong law:

Anthony Siu & Co., Solicitors & Notaries
1102-1103, 11th Floor,
No. 9 Queen's Road Central,
Hong Kong

As to PRC law:

Deheng Law Offices (Shenzhen)
38/F, Golden Business Centre,
2028 Shennan East Road, Luohu District,
Shenzhen, The PRC

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor,
Caroline Centre, Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

Investor Relations
Jutal Offshore Oil Services Limited
10th Floor, Chiwan Petroleum Building
Shekou, Nanshan District
Shenzhen, The PRC 518068
Tel: (86 755) 26850472
Fax: (86 755) 26694666
Email: xy@jutal.com