JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3303)

2008 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Turnover was RMB168,725,000, a 23.14% increase over the same period last year.
- Gross profit was RMB35,774,000, a 16.98% increase over the same period last year.
- Profit attributable to equity holders of the Company was RMB23,510,000, a 29.74% increase over the same period last year.
- Basic earnings per share was RMB0.047 for the six months ended 30 June 2008 as compared to RMB0.043 in the same period last year, representing a 9.30 % increase.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2008.

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 2008 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2007. These interim financial information have not been audited, but have been reviewed by the auditor and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	**168,725**	137,015
Cost of sales and service		**(132,951)**	(106,433)
Gross profit		**35,774**	30,582
Other income	5	**6,553**	2,561
Administrative expenses		**(21,022)**	(11,351)
Other operating expenses		**(113)**	(45)
Profit from operations		**21,192**	21,747
Finance costs	6	**(2,168)**	(903)
Share of profits of an associate		**5,183**	-
Profit before tax		**24,207**	20,844
Income tax expense	7	**(697)**	(2,723)
Profit for the period attributable to equity holders of the Company		**23,510**	18,121
Earnings per share	9		
		RMB	RMB
Basic		4.7CENTS	4.3CENTS
Diluted		4.7CENTS	4.2CENTS
Dividends	10	**-**	-

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008

	Note	30/06/2008	31/12/2007
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	**85,768**	69,491
Prepaid land lease payments		**988**	1,025
Goodwill		**197,875**	211,366
Investment in an associate		**135,201**	130,018
		419,832	411,900
Current assets			
Inventories		**11,889**	5,069
Trade receivables	12	**42,606**	42,527
Gross amount due from customers for contract work		**76,343**	154,850
Prepayments, deposits and other receivables		**51,256**	32,379
Due from directors		**2,231**	238
Due from an associate		**77**	1,867
Current tax assets		**861**	-
Pledged bank deposits		**2,624**	3,346
Bank and cash balances		**140,947**	148,984
		328,834	389,260
Current liabilities			
Trade and bills payables	13	**67,957**	93,699
Gross amount due to customers for contract work		**3,174**	2,762
Accruals and other payables		**24,078**	86,433
Due to a related company		**298**	-
Short term bank loans		**62,164**	-
Convertible loans		**59,306**	61,896
Current tax liabilities		**815**	4,091
		217,792	248,881
Net current assets		**111,042**	140,379
Total assets less current liabilities		**530,874**	552,279

CONDENSED CONSOLIDATED BALANCE SHEET (CON'D)
AT 30 JUNE 2008

	Note	**30/06/2008**	31/12/2007
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		**14,123**	17,752
NET ASSETS		**516,751**	534,527
Capital and reserves			
Share capital	14	**5,048**	5,048
Reserves		**511,703**	529,479
TOTAL EQUITY		**516,751**	534,527

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	(Unaudited)									
	Share capital	**Share premium account**	**Special reserve**	**Convertible loan notes equity reserve**	**Foreign currency translation reserve**	**Share-based payment reserve**	**Statutory reserves**	**Retained profits**	**Proposed final dividend**	**Total Equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2007	4,239	229,429	(52,040)	-	(2,205)	-	6,782	57,690	20,750	264,645
Share issue expenses	-	(4,824)	-	-	-	-	-	-	-	(4,824)
Translation difference	-	-	-	-	(4,905)	-	-	-	-	(4,905)
Net expense recognised directly in equity	-	(4,824)	-	-	(4,905)	-	-	-	-	(9,729)
Profit for the period	-	-	-	-	-	-	-	18,121	-	18,121
Total recognised income and expense for the period	-	(4,824)	-	-	(4,905)	-	-	18,121	-	8,392
2006 final dividend paid	-	-	-	-	-	-	-	-	(20,750)	(20,750)
Issue of shares on placement	809	240,397	-	-	-	-	-	-	-	241,206
Recognition of share-based payments	-	-	-	-	-	636	-	-	-	636
	809	240,397	-	-	-	636	-	-	(20,750)	221,092
At 30 June 2007	5,048	465,002	(52,040)	-	(7,110)	636	6,782	75,811	-	494,129

	(Unaudited)									
	Share capital	**Share premium account**	**Special reserve**	**Convertible loan notes equity reserve**	**Foreign currency translation reserve**	**Share-based payment reserve**	**Statutory reserves**	**Retained profits**	**Proposed final dividend**	**Total Equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2008	5,048	465,002	(52,040)	2,951	(20,416)	1,481	11,632	92,782	28,087	534,527
Translation difference	-	-	-	-	(15,427)	-	-	-	-	(15,427)
Net expense recognised directly in equity	-	-	-	-	(15,427)	-	-	-	-	(15,4271)
Profit for the period	-	-	-	-	-	-	-	23,510	-	23,510
Total recognised income and expense for the period	-	-	-	-	(15,427)	-	-	23,510	-	8,083
2007 final diviend paid	-	-	-	-	-	-	-	-	(28,087)	(28,087)
Recognition of share-based payments	-	-	-	-	-	2,228	-	-	-	2,228
	-	-	-	-	-	2,228	-	-	(28,087)	(25,859)
At 30 June 2008	5,048	465,002	(52,040)	2,951	(35,843)	3,709	11,632	116,292	-	516,751

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/ (used in) operating activities	**14,218**	(32,905)
Net cash used in investing activities	**(50,653)**	(11,770)
Net cash generated from financing activities	**34,077**	215,510
Net (decrease)/ increase in cash and cash equivalents	**(2,358)**	170,835
Cash and cash equivalents at 1 January	**149,725**	214,052
Effect of foreign exchange rate changes	**(5,878)**	(4,899)
Cash and cash equivalents at 30 June	**141,489**	379,988
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**140,947**	379,977
Pledged bank deposits	**542**	11
	141,489	379,988

Pledged bank deposits can be reconciled to the condensed consolidated balances sheet as follows:

	As at	
	30/6/2008	30/6/2007
	RMB'000	RMB'000
Pledged bank deposits (mature in three months or less)	**542**	11
Pledged bank deposits (mature after three months)	**2,082**	1,645
	2,624	1,656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 November 2005 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 September 2006.

This unaudited condensed consolidated interim financial statements was approved by the Board on 19 September 2008.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. 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 substantial changes to the Group's accounting polices and amounts reported for the current interim period and prior periods.

4. SEGMENT INFORMATION

Primary reporting format - business segments

Six months ended 30 June 2008 (Unaudited)

	Provision of technical supporing services for oil & gas industry	Fabrication of oil & gas facilities and oil & gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	31,371	72,718	23,092	41,544	-	168,725
Inter-segment sales	-	-	-	-	-	-
Total	31,371	72,718	23,092	41,544	-	168,725
Segment result	5,340	12,707	2,074	15,653	-	35,774

Six months ended 30 June 2007 (Unaudited)

	Provision of technical supporing services for oil & gas industry	Fabrication of oil & gas facilities and oil & gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	35,804	48,707	29,394	23,110	-	137,105
Inter-segment sales	-	-	-	-	-	-
Total	35,804	48,707	29,394	23,110	-	137,105
Segment result	4,865	13,035	5,186	7,496	-	30,582

5. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**800**	2,530
Net foreign exchange gains	**4,796**	-
Sundry income	**957**	31
	6,553	2,561

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Effective interest expense on convertible loans	**1,361**	-
Interest on bank loans	**581**	-
Others	**226**	903
	2,168	903

7. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - Hong Kong Profits Tax		
Provision for the period	**559**	358
Over provision in prior years	**(59)**	-
	500	358
Current tax - PRC Enterprise Income Tax		
Provision for the period	**3,802**	1,013
Under provision in prior period	**20**	20
	3,822	1,033
Current tax - Overseas		
Provision for the year	**3**	31
Over provision in prior years	**-**	-
	3	31
Deferred tax	**(3,628)**	1,301
	697	2,723

(i) Hong Kong Profits Tax has been provided at a rate of 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

(ii) 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.

(iii) Income tax expense on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. EXPENSES BY NATURE

Expenses included in cost of sales and services, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation	**3,074**	1,800
Amortisation of prepaid land lease payment	**37**	40
Directors' emoluments		
- As directors	**240**	240
- For management	**1,247**	968
- Share-based payments	**702**	278
	2,189	1,486
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**39,072**	25,912
Retirement benefits scheme contributions	**1,150**	936
Share-based payments	**2,228**	636
	42,450	27,484

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**23,510**	18,121
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**498,000,000**	425,546,961
Effect of dilutive potential ordinary shares arising from share options outstanding	**-**	1,776,238
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**498,000,000**	427,323,199
	RMB cents	RMB cents
Basic earnings per share	**4.7**	4.3
Diluted earnings per share	**4.7**	4.2

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

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme. There are no dilutive potential ordinary shares for the period ended 30 June 2008.

10. DIVIDENDS

The directors of the Company (the "Directors") do not recommend payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

On 23 June 2008, a final dividend for the year ended 31 December 2007 of HK$0.06 per ordinary share was paid and have been reflected as appropriations of retained profits for the six months ended 30 June 2008.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB136,000 for proceeds of RMB42,000, resulting in a loss on disposal of RMB94,000.

During the period, the Group acquired property, plant and equipment at a total cost of RMB19,497,000.

12. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms other than retentions receivable generally range from 30 to 60 days. The credit terms for retentions receivable generally range from 12 to 18 months after the completion of the contracts. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	30/6/2008	31/12/2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 30 days	**15,533**	27,616
31 to 90 days	**17,519**	5,060
91 to 365 days	**5,073**	3,867
Over 365 days	**4,481**	5,984
	42,606	42,527

13. TRADE AND BILLS PAYABLES

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

	30/6/2008	31/12/2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 30 days	**30,465**	63,456
31 to 90 days	**12,623**	16,085
91 to 365 days	**20,865**	13,494
Over 365 days	**4,004**	664
	67,957	93,699

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 December 2007 and 30 June 2008	700,000,000	7,000

	Number of shares	Amount	Equivalent to amount
		HK$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 31 December 2007 and 30 June 2008	498,000,000	4,980	5,048

15. SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Scheme") adopted on 28 August 2006. The Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group.

	Date of grant	Vesting period	Exercise period	Exercise price
				HK$
2007A	16 March 2007	16 March 2007 to 15 March 2008	16 March 2008 to 15 March 2017	1.68
2007B	16 March 2007	16 March 2007 to 15 March 2009	16 March 2009 to 15 March 2017	1.68
2008A	12 March 2008	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12 March 2008	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62

Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the period are as follows:

	Number of share options	Weighted average exercise price
		HK$
Outstanding at the beginning of the period	11,460,000	1.68
Granted during the period	20,370,000	1.62
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	31,830,000	1.64
Exercisable at the end of the period	5,730,000	1.68

15. SHARE-BASED PAYMENTS (CONT'D)

The options outstanding at the end of the period have a weighted average remaining contractual life of 9.3 years (at 31 December 2007: 9.2 years) and the exercise price range from HK$1.62 – HK$1.68 (at 31 December 2007: HK$1.68). During the six months ended 30 June 2008, options were granted on 12 March 2008. The estimated fair value of these share options at grant date are HK$7,534,780. For the year ended 31 December 2007, options were granted on 16 March 2007. The estimated fair values of these options at grant date are HK$2,863,000.

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	30 June 2008	31 December 2007
	HK$	HK$
Grant date share price	1.60	1.65
Exercise price	1.62	1.68
Expected volatility	54.76% - 62.55%	26.52% - 29.51%
Expected life	1-2 years	1-2 years
Risk free rate	1.03% - 1.225%	3.912% - 3.928%
Expected dividend yield	3.75%	-

Expected volatility was based on the historical volatility of the share prices of comparable companies over the periods that are equal to the expected lives before the grant date.

16. CAPITAL COMMITMENTS

At 30 June 2008, the Group had total capital commitments approximately RMB3,696,000, principally for the construction and purchases of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSYS

1. REVIEW

In the first half of 2008, the Group focused on the growth of the existing businesses. Upon the phase I of Zhuhai new fabrication site put into operation, the Group has preliminarily completed the infrastructures to support greater development of the oil and gas equipment fabrication business. As a result, market development and project management became the Group's working priorities during the first half of 2008. The Group restructured its organization and enhanced the management of project bidding and funds to maintain the smooth development of its businesses.

Turnover

In the first half of 2008, the Group's turnover amounted to RMB168,725,000, an increase of RMB31,710,000 or 23.14% from RMB137,015,000 in the corresponding period last year. The increase in turnover was mainly attributable to the fabrication of oil and gas facilities as well as oil and gas processing skid equipment, and the provision of technical support services for the shipbuilding industry. Benefiting from the Group's efforts in market development in China and overseas, launch of additional products as well as utilization of the Zhuhai phase I site and the equipment there, turnover from the fabrication of oil and gas facilities as well as oil and gas processing skid equipment rose from RMB48,707,000 in the corresponding period last year to RMB72,718,000, an increase of RMB24,011,000 or approximately 49.30% compared with the corresponding period last year; turnover from the provision of technical support services for the shipbuilding industry rose from RMB23,110,000 in the corresponding period last year to RMB41,544,000, an increase of RMB18,434,000 or approximately 79.77% compared with the corresponding period last year. Turnover from the provision of technical supporting services for the oil and gas industry and civil engineering business decreased to a certain extent from the corresponding period last year. Turnover from the provision of technical supporting services for the oil and gas industry decreased from RMB35,804,000 in the corresponding period last year to RMB31,371,000, a decrease of RMB4,433,000 or approximately 12.38%; turnover from the civil engineering business decreased from RMB29,394,000 in the corresponding period last year to RMB23,092,000, a decrease of RMB6,302,000 or approximately 21.44%.

The table below shows the breakdown of turnover elements by product or by service for the six months ended 30 June 2006, 2007 and 2008:

	For the six months ended 30 June					
Product/service	**2008**		2007		2006	
	RMB'000	**Percentage of total turnover**	RMB'000	Percentage of total turnover	RMB'000	Percentage of total turnover
1. Provision of technical supporting services for oil & gas industry	**31,371**	**18**	35,804	26	27,786	25
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	**72,718**	**43**	48,707	36	44,038	40
3. Provision of technical support services for shipbuilding industry	**41,544**	**25**	23,110	17	19,222	17
4. Civil engineering business	**23,092**	**14**	29,394	21	20,337	18
Total	**168,725**	**100**	137,015	100	111,383	100

Cost of sales

The Group's cost of sales and services for the six months ended 30 June 2008 amounted to RMB132,951,000, an increase of RMB26,518,000 or approximately 24.92% from RMB106,433,000 in the corresponding period last year. Cost of sales and services comprised direct and overhead costs. The Group calculates cost of sales and services on an order-by-order basis for projects, and the cost elements of each project differ from one another, therefore the cost of sales varies from project to project. The direct cost in the first half of 2008 amounted to RMB116,289,000, representing 87.47% of the cost of sales, and an increase of RMB24,787,000 or approximately 27.09% from RMB91,502,000 in the corresponding period last year. Direct cost mainly consists of costs of materials, subcontracting costs and labour costs. The costs of these three elements were RMB25,791,000, RMB38,930,000 and RMB15,014,000 respectively during the first half of 2007, which accounted for 28.19%, 42.55% and 16.41% of the direct cost respectively, and the costs of these three elements were RMB44,246,000, RMB26,937,000 and RMB22,090,000 respectively during the first half of 2008, which accounted for 38.05%, 23.16% and 19.00% of the direct cost respectively. Costs of materials and labour costs increased by 9.86 and 2.59 percentage point respectively and subcontracting costs fell by 19.39 percentage point compared with the corresponding period last year. The increase in the costs of materials and labour costs and the substantial fall in the subcontracting costs were mainly attributable to the substantial increase in the number of the Group's employees and the commencement of the operation of the Zhuhai phase I site and the auxiliary equipment there such that a lot of operations so that a lot of projects which previously required to be subcontracted now were completed by the Group itself, resulting in an increase in the costs of materials and labour costs but a fall in the subcontracting costs. In addition, the decrease in turnover from the civil engineering business which having a high proportion of subcontracting costs resulted in a substantial fall in major subcontracting costs as well. Due to the expansion of production capacity, the overhead costs increased by RMB3,314,000 to RMB16,663,000 in the first half of 2008 from RMB13,349,000 in the corresponding period last year, an increase of approximately 24.83%. The increase in overhead costs was mainly attributable to the salaries of plant management and technical staff, depreciation cost and leasing expenses. The increase in the number of employees and the rise in the level of salaries increased salaries expense by RMB1,153,000. The commencement of the operation of the Zhuhai phase I site and the equipment there increased depreciation cost by RMB1,185,000. The increase in the leasing of the Zhuhai site and automobiles increased the leasing expenses by RMB724,000.

Gross profit

The Group's total gross profit in the first half of 2008 increased by RMB5,192,000 from RMB30,582,000 in the corresponding period last year to RMB35,774,000. The overall gross profit margin fell slightly from 22.32% in the corresponding period last year to 21.20%. Specifically speaking, the gross profit margins on the provision of technical supporting services for the oil and gas industry and the provision of technical support services for the shipbuilding industry rose at different degrees from the corresponding period, while the gross profit margins on the fabrication of oil and gas facilities as well as oil and gas processing skid equipment fell by ten percentage points as a result of an appreciation of Renminbi and a significant rise in the prices of major raw materials. The gross profit margins on the civil engineering business fell by nine percentage points as a result of a rise in the local installation and subcontracting costs in Hong Kong.

The table below shows the breakdown of gross profit by product or service for the six months ended 30 June 2006, 2007 and 2008:

	For the six months ended 30 June								
Product/service	**2008**			2007			2006		
	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 supporting services for oil & gas industry	**5,340**	**17**	**15**	4,865	14	16	8,097	29	30
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	**12,707**	**17**	**36**	13,035	27	43	7,589	17	28
3. Provision of technical support services for shipbuilding industry	**15,653**	**38**	**43**	7,496	32	24	5,865	31	22
4. Civil engineering business	**2,074**	**9**	**6**	5,186	18	17	5,172	25	20
Total	**35,774**		**100**	30,582		100	26,723		100

Other income

Other income of the Group for the first half of 2008 increased from RMB2,561,000 in the corresponding period last year to RMB6,553,000, mainly comprising an interest income of RMB800,000, net foreign exchange gains of RMB4,796,000, a tax refund income of RMB901,000 from reinvestments.

Administrative expenses

For the six months ended 30 June 2008, the Group's administrative expenses totalled RMB21,022,000, mainly comprising management staff's remuneration of RMB10,114,000 (including wages of RMB7,028,000, employees' social insurance of RMB858,000 and expenses of RMB2,228,000 involved in the grant of share options to the management), entertainment expenses of RMB1,796,000, accommodation and traveling expenses of RMB1,787,000, depreciation expenses of RMB846,000, lease expenses of RMB943,000 and bad debt provisions of RMB1,151,000. The total expenses increased by RMB9,671,000 from RMB11,351,000 in the corresponding period last year. The increase in expenses was mainly attributable to the commencement of the operation of two new companies (Zhuhai Jutal and Dalian Jutal which were commenced operation in the second half of 2007, administrative expenses of these two companies totalled RMB3,797,000 in the first half of 2008); an increase in the number of management staff; a rise in the level of salaries and a substantial rise in wages and staff benefits as a result of the grant of share options; as well as a substantial rise in accommodation and traveling expenses, entertainment expenses, automobile expenses and other expenses as result of the aggressive efforts in the expansion of the Chinese domestic and overseas markets. Specifically speaking, expenses with a substantial increase were wages and staff benefit expenses which increased by RMB5,374,000 (including an increase of RMB1,592,000 in the expenses involved in the grant of options to the management) from the corresponding period last year; accommodation and traveling expenses which increased by RMB1,123,000; and bad debt provisions for overdue receivables which amounted to RMB1,151,000.

Finance cost

In the first half of 2008, the Group's finance cost increased from RMB903,000 in the corresponding period last year to RMB2,168,000, mainly comprising effective interest expenses on convertible loans of RMB1,361,000, bank loans interest of RMB581,000 and bank charges of RMB226,000. Effective interest expense on convertible loans are non cash expense.

Net profit

For the six months ended 30 June 2008, the Group achieved a net profit of RMB23,510,000, an increase of 29.74% from RMB18,121,000 in the corresponding period last year. Of this profit, an investment gain of RMB5,183,000 was contributed by Stand Success Limited (which holds a 30% equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd.).

Basic earnings per share was RMB0.0472.

Liquidity and financial resources

As at 30 June 2008, the Group's balance of working funds (cash plus bank deposits) amounted to approximately RMB141,489,000 (31 December 2007: RMB149,725,000). The Group's current ratio (current assets/current liabilities) was 1.51 (31 December 2007: 1.56).

As at 30 June 2008, the Group obtained banking facilities totalling RMB115,200,000, of which banking facilities totalling RMB83,266,000 was utilized and banking facilities of approximately RMB31,934,000 remained unutilized. These facilities may be applied for liquidity loans, letters of credit and letters of guarantee and so on.

Capital structure

As at 30 June 2008, the Company's share capital comprised 498,000,000 ordinary shares (as at the end of 2007: 498,000,000 ordinary shares). The Company has issued the redeemable non-interest bearing convertible bonds, matured on 6 September 2008, in an aggregate principal amount of HK$68,000,000 to Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial shareholder. The convertible bonds carry the rights to convert into maximum 17,085,427 Shares at the price of HK$3.98 per share, subject to adjustment. As at 30 June 2008, the convertible bonds remain outstanding and has not been converted into any share of the Company. However, the Company has redeemed the convertible bonds after its maturity in September and Prospering Investments Limited has not exercised any conversion rights of the convertible bonds.

As at 30 June 2008, the Group's net assets amounted to approximately RMB516,751,000 (31 December 2007: RMB534,527,000), comprising non-current assets of approximately RMB419,832,000 (31 December 2007: RMB411,900,000), net current assets of approximately RMB111,042,000 (31 December 2007: RMB140,379,000) and non-current liabilities of approximately RMB14,123,000 (31 December 2007: RMB17,752,000).

Material acquisition and investment

To cope with the needs for the development of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. (hereinafter, "Penglai Jutal"), the Company convened a board meeting on 8 April 2008, at which a resolution was passed on an increase of US$4,800,000 in the capital of Penglai Jutal. Upon completion of the capital increase, the Group continues to hold a 30% equity interest in Penglai. As at 30 June 2008, the Group had paid the aforesaid US$4,800,000 in full to Penglai Jutal.

Moreover, the Group is also identifying companies within the industry which are similar or complementary to the business of the Group as acquisition targets for enhancing its competitiveness. However, as at the end of the reporting period, the Group had not yet identified any target for acquisition.

Assets pledged by the Group

As at 30 June 2008, other than the bank deposit of RMB2,624,000 pledged as the security deposit for the issue of performance bonds, letters of credit and bank acceptance drafts, the Group did not have other pledged assets.

Contingent liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

Important event during the period

Since the operations of Jutal Offshore Oil Services (Zhuhai) Co., Ltd. ("Zhuhai Jutal") are growing rapidly, the Company had been seeking a site to accommodate the future development and operations of Zhuhai Jutal including the construction of factories, the production facilities and installation of machinery and equipments.

On 1 March 2008 Zhuhai Jutal, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with Zhuhai Prospering Offshore Oil Engineering Limited, pursuant to which Zhuhai Prospering Offshore Oil Engineering Limited agreed to lease a piece of land situate at the equipment manufacture area of Gao Lan port Economic Zone in Zhuhai with a total floor area of approximately 67,000.00 sq.m. to Zhuhai Jutal for a term of three years at a rental of RMB30 per sq.m. per annum.

Employees information and remuneration policy

As at 30 June 2008, the total number of employees of the Group was 1,982 (31 December 2007: 1,515), of which 348 (31 December 2007: 312) were management and technical staff, and 1,634 (31 December 2007: 1,203) were technicians.

The Group determines the remuneration and incentive of its staff based on their positions, duties and performance with reference to industry standards. The Group maintains social security insurance such as pension, medical, unemployment and industrial accident insurance for its workers in the PRC pursuant to relevant legislation and contributes to the mandatory provident fund for its employees in Hong Kong pursuant to requirements.

The Group places emphasis on staff development, encourages staff to pursue continuous learning and formulates training programmes for its staff every year.

Outlook

In line with its strategic arrangements for business development, the Group has relocated all of its fabrication departments to the Zhuhai site, and will subsequently continue to carry out project research and planning for the construction of the Zhuhai phase II site. In the second half of the year, the Group will center on market development and large project follow-up and proceeding in particular, and maintain strict controls over costs and expenses for achieving its annual business objectives. The Group is also aggressively seeking opportunities for cooperation with other partners to expand and enhance its capability of engineering service.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2008.

CONVERTIBLE BONDS

Pursuant to an agreement concerning the acquisition of Stand Success Resources Limited, the Company issued the redeemable non-interest bearing convertible bonds in an aggregate principal amount of HK$68,000,000 to Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial shareholder, as part of the consideration. The convertible bonds carry the rights to convert into maximum 17,085,427 Shares at the price of HK$3.98 per Share, subject to adjustment. The convertible bonds were not listed and physically settled equity derivatives. The convertible bonds have a term of one year from the date of issue and matured on 6 September 2008. The Company has redeemed the convertible bonds after its maturity in September and Prospering Investments Limited has not exercised any conversion rights of the convertible bonds.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the Directors under the Share Option Scheme and the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a company indirectly owned as to 100% by Mr. Wang Lishan, our chairman, Director and substantial shareholder, no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed and approved the unaudited financial reports of the Group for the period ended 30 June 2008 and is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2007 Annual Report and the Circular dated 28 April 2008 of the Company.

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

Hong Kong, 19 September 2008

As at the date of this announcement, the executive Directors are Mr. Wang Lishan (Chairman), Mr. Jiang Dong, Mr. Chen Guocai and Mr. Cao Yunsheng; and the independent non-executive Directors are Mr. Su Yang, Mr. Lan Rong, Mr. Xiang Qiang and Mr. Wang Yu.