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)

2011 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was RMB208,962,000, a 3.35% increase over the same period last year.
- Gross profit was RMB52,373,000, a 9.95% increase over the same period last year.
- Profit attributable to owners of the Company was RMB16,440,000, a 51.88% decrease over the same period last year.
- Basic earnings per share was RMB0.033 for the six months ended 30 June 2011 as compared to RMB0.069 in the same period last year, representing a 52.17 % decrease.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2011.

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 2011 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2010. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 2011 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").

JUTAL OFFSHORE OIL SERVICES LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June **2011** **(Unaudited)** **RMB'000**	 2010 (Unaudited) RMB'000
Turnover	3	**208,962**	202,191
Cost of sales and service		**(156,589)**	(154,559)
Gross profit		**52,373**	47,632
Other income	4	**581**	15,824
Administrative expenses		**(34,209)**	(27,251)
Other operating expenses		**(31)**	(671)
Profit from operations		**18,714**	35,534
Finance costs	5	**(1,566)**	(2,979)
Share of profits of an associate		**1,367**	14,044
Profit before tax		**18,515**	46,599
Income tax expense	6	**(2,075)**	(11,661)
Profit for the period	7	**16,440**	34,938
Attributable to:			
Owners of the Company		**16,440**	34,166
Non-controlling interests		**-**	772
		16,440	34,938
Earnings per share	9	**RMB**	RMB
Basic		**3.3 CENTS**	6.9 CENTS
Diluted		**3.3 CENTS**	6.9 CENTS

JUTAL OFFSHORE OIL SERVICES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	**16,440**	34,938
Other comprehensive income:		
Exchange differences on translating foreign operations	**(5,257)**	(2,458)
Other comprehensive income for the period, net of tax	**(5,257)**	(2,458)
Total comprehensive income for the period	**11,183**	32,480
Attributable to:		
Owners of the Company	**11,183**	31,708
Non-controlling interests	**-**	772
	11,183	32,480

JUTAL OFFSHORE OIL SERVICES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	Note	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**92,660**	93,906
Prepaid land lease payments		**775**	809
Goodwill		**186,632**	191,129
Intangible assets		**2,921**	3,319
Investment in an associate		**264,520**	263,153
Finance lease receivables		**676**	1,351
		548,184	553,667
Current assets			
Inventories		**11,743**	7,439
Trade and bills receivables	11	**87,644**	73,353
Gross amount due from customers for contract work		**92,446**	78,577
Prepayments, deposits and other receivables		**23,390**	16,510
Finance lease receivables		**1,304**	1,257
Due from directors		**1,059**	630
Current tax assets		**483**	606
Pledged bank deposits		**1,554**	3,234
Bank and cash balances		**87,109**	87,989
		306,732	269,595
Current liabilities			
Trade and bills payables	12	**57,107**	68,654
Gross amount due to customers for contract work		**8,886**	3,049
Accruals and other payables		**34,842**	34,540
Due to a related company		**503**	-
Bank loans		**78,259**	38,000
Current tax liabilities		**1,139**	4,291
		180,736	148,534
Net current assets		**125,996**	121,061
Total assets less current liabilities		**674,180**	674,728

JUTAL OFFSHORE OIL SERVICES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	Note	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Non-current liabilities			
Deferred tax liabilities		**18,428**	18,336
		18,428	18,336
NET ASSETS		**655,752**	656,392
Capital and reserves			
Share capital	13	**5,049**	5,048
Reserves		**650,703**	651,344
Equity attributable to owners of the Company		**655,752**	656,392
Non-controlling interests		**-**	-
TOTAL EQUITY		**655,752**	656,392

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 2010 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 2010 except as stated below.

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 period beginning on 1 January 2011. 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 four reportable segments as follows:

- Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials.
- Fabrication of oil and gas facilities and oil and gas processing skid equipment.
- Civil engineering business.
- Provision of technical support services for shipbuilding industry.

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.

3. SEGMENT INFORMATION (CONTINUED)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials (Unaudited) RMB'000	Fabrication of oil and gas facilities and oil and gas processing skid equipment (Unaudited) RMB'000	Civil engineering business (Unaudited) RMB'000	Provision of technical support services for shipbuilding industry (Unaudited) RMB'000	Total (Unaudited) RMB'000
6 months ended 30 June 2011					
Revenue from external customers	**46,977**	**125,855**	**-**	**36,130**	**208,962**
Segment profit	**21,591**	**22,818**	**7**	**7,957**	**52,373**
As at 30 June 2011:					
Segment assets	**39,547**	**226,304**	**848**	**24,185**	**290,884**
6 months ended 30 June 2010					
Revenue from external customers	42,562	130,736	1,215	27,678	202,191
Segment profit	9,222	28,026	1,021	9,363	47,632
As at 31 December 2010:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	30,932	190,699	2,057	20,592	244,280

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Reconciliations of segment profits:		
Total profits of reportable segments	**52,373**	47,632
Unallocated amounts:		
Other income	**581**	15,824
Other corporate expenses	**(35,806)**	(30,901)
Share of profits of an associate	**1,367**	14,044
Consolidated profit before tax for the period	**18,515**	46,599

4. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Compensation income	**-**	3,436
Gain on disposal of property, plant and equipment	**26**	11,170
Finance income from finance lease	**97**	141
Interest income	**261**	159
Net foreign exchange gains	**193**	178
Sundry income	**4**	740
	581	15,824

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	**848**	2,159
Others	**718**	820
	1,566	2,979

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the period	**1,585**	4,296
Under provision in prior periods	**398**	29
	1,983	4,325
Deferred tax	**92**	7,336
	2,075	11,661

(a) 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.

(b) 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.

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

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**4,500**	10,307
Amortisation of intangible assets	**398**	266
Amortisation of prepaid land lease payment	**34**	34
Directors' emoluments		
- As directors	**240**	240
- For management	**1,730**	1,728
- Share-based payments	**81**	279
	2,051	2,247
Loss on disposal of property, plant and equipment	**30**	44

8. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final dividend for the year ended 31 December 2010 approved and paid –HK$0.03 (2009: Nil) per ordinary share	**12,699**	-

The Board of the Company does not recommend payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**16,440**	34,166
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**498,017,000**	498,000,000
Effect of dilutive potential ordinary shares arising from share options	**1,242,000**	-
Weighted average number of ordinary shares used in diluted earnings per share calculation	**499,259,000**	498,000,000

Basic earnings per share is calculated by dividing the profit attributable to owners 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 owners 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 were no diluted potential ordinary shares for the period ended 30 June 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately RMB3,360,000.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with 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 the directors.

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
0 to 30 days	**52,264**	27,530
31 to 90 days	**16,084**	40,557
91 to 365 days	**17,797**	3,770
Over 365 days	**1,499**	1,496
	87,644	73,353

12. TRADE AND BILLS PAYABLES

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
0 to 30 days	**20,297**	31,570
31 to 90 days	**11,065**	26,948
91 to 365 days	**21,726**	9,119
Over 365 days	**4,019**	1,017
	57,107	68,654

13. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2010, 31 December 2010 and 30 June 2011	700,000,000	7,000

	Note	Number of shares	Amount	Equivalent to amount
			HK$'000	RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 January 2010 and 31 December 2010 (Audited)		498,000,000	4,980	5,048
Shares issued under share option scheme	(a)	100,000	1	1
At 30 June 2011 (Unaudited)		498,100,000	4,981	5,049

Note:

(a) On 30 May 2011, share options granted under the share option scheme of the Company which was adopted on 28 August 2006 were exercised to subscribe for 100,000 ordinary shares in the Company at a consideration of HK$92,000, equivalent to RMB76,000 of which RMB1,000 was credit to share capital and the balance of RMB75,000 was credited to the share premium account. RMB19,000 has been transferred from share-based payment reserve to the share premium account.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 (At 31 December 2010: Nil).

15. EVENT AFTER THE REPORTING PERIOD

On 5 January 2011, Hong Kong Jutal Holdings Limited, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Firstachieve Group Limited, the holding company of Zhuhai Prospering Offshore Oil Engineering Company Limited ("Zhuhai Prospering") to acquire the entire equity interest of Zhuhai Prospering (the "Acquisition"). The Acquisition was completed on 26 July 2011 and 124,699,278 ordinary shares of the Company were issued as part of the consideration at the same date.

Details of the Acquisition are set out in the Circular of the Company dated 24 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first half of the year, the Group has orderly carry out every fabrication and service providing activities, actively implement our development strategy through continuing market exploration, project implementation and development of core competence, and have achieved certain progress on technical research and development, new business and marketing work. Since the end of last year, the Group undertook a series of gas and water processing modules that required for exploitation of overseas oil field, providing one-stop solution for engineering, procurement and construction, that gave a beginning of business model transformation of our oil and gas fabrication services. The total contract value reached to approximately RMB90 million, some orders have been delivered in the first half, and the others will be completed in the second half. After strict review and inspection by our foreign customer, we have been selected as the first supplier to undertake the project of the fabrication of undersea facilities due to the excellent production capability and control system of our Zhuhai fabrication site, and the successful implementation of this project has marked a good start for the Group's further development of fabrication of undersea facilities in the future. The research and development centre of the Group continue to introduce technical training, completed the trial production and processing of separator parts as planned, completed offshore platform experiment for the CFU ("Compact Flotation Unit") that researched and developed with overseas partners, the degreasing effect of CFU was remarkable, formed the proprietary technology and research and development capabilities, and has been awarded the South China Sea oil platform project. In the first half of the year, the Group's superior performance in "healthy, safety and environmental protection" aspect was highly recognised by our customers.

Turnover

The Group recorded a total turnover of RMB208,962,000 in the first half of year 2011, representing an increase of RMB6,771,000 or approximately 3.35% compared with the corresponding period in last year. Turnover from the provision of technical support services for shipbuilding industry business has increased by RMB8,452,000 or approximately 30.53% compared with the corresponding period in last year. Turnover from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has increased by RMB4,415,000 or approximately 10.37% compared with the corresponding period in last year. Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business in the first half has decreased by approximately 3.73% compared with the corresponding period in last year because some important projects will mainly be undertook in the second half.

1. BUSINESS REVIEW (CONT'D)

Turnover (cont'd)

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2009, 2010 and 2011:

Product / service	For the six months ended 30 June					
	2011		2010		2009	
	RMB'000	**Percentage of total turnover %**	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	**46,977**	**22**	42,562	21	47,239	30
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**125,855**	**60**	130,736	65	65,954	43
3. Provision of technical support services for shipbuilding industry	**36,130**	**18**	27,678	13	35,263	23
4. Civil engineering business	**-**	**-**	1,215	1	6,286	4
Total	**208,962**	**100**	202,191	100	154,742	100

Cost of Sales and Services

Cost of sales and services of the Group for the first half of the year amounted to RMB156,589,000, representing an increase of RMB2,030,000 or 1.31% compared with corresponding period in last year. Cost of sales and services comprised of direct costs and manufacturing overheads. Direct costs in the current period amount to RMB136,734,000, representing 87.32% of total cost of sales and services, and an increase of RMB7,202,000 or approximately 5.56% from RMB129,532,000 in corresponding period in last year. The Group calculates the cost of sales and services of projects on an order-by-order basis, while the composition of cost differs for each project, therefore the composition of cost of sales and services varies significantly from project to project. Manufacturing overheads has decreased by RMB5,172,000 or approximately 20.67% from RMB25,027,000 in corresponding period in last year to RMB19,855,000 in current period. The decrease in manufacturing overheads is mainly due to decrease in expenses of a subsidiary of the Group, Tianjin Jutal Marine Services Limited ("Jutal Marine").

1. BUSINESS REVIEW (CONT'D)

Gross Profit

The total gross profit of the Group amounted to RMB52,373,000 for the reporting period, representing an increase of RMB4,741,000 compared with RMB47,632,000 in corresponding period in last year. The overall gross profit margin increased from 23.56% in corresponding period in last year to 25.06% in current period. Due to increase in labour cost and change in business structure, the gross profit margin in our different business sectors changed in different manner in current period. The Group will continue to develop our core competence and strengthen cost control measures so as to raise the gross profit margin of each of our business sectors.

The table below set out the analysis of gross profit/(loss) by product or service for the six months ended 30 June 2009, 2010 and 2011:

	For the six months ended 30 June								
Product / service		**2011**			2010			2009	
	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 and related services for oil and gas industry and sales of equipment and materials	**21,591**	**46**	**41**	9,222	22	19	17,367	37	38
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**22,818**	**18**	**44**	28,026	21	59	14,018	21	31
3. Provision of technical support services for shipbuilding industry	**7,957**	**22**	**14**	9,363	34	20	18,527	53	41
4. Civil engineering business	**7**	**n/a**	**1**	1,021	84	2	(4,482)	(71)	(10)
Total	**52,373**		**100**	47,632		100	45,430		100

1. BUSINESS REVIEW (CONT'D)

Administrative Expenses

Administrative expenses of the Group amounted to RMB34,209,000 for the first half of the year 2011, representing an increase of RMB6,958,000 compared with corresponding period in last year. The increase was mainly due to the acceleration of development of the Group's core technology, put great effort to recruit talents with design and technical skills, increase in specialisation on opening markets on offshore engineering, established procurement management department which strengthen and improve our management of suppliers and subcontractors, and at the same time the Group's active market development activities has led to corresponding increase in entertainment and travelling expenses.

Finance Costs

Finance costs of the Group decreased from RMB2,979,000 in the corresponding period in last year to RMB1,566,000 in the current period. Finance costs mainly comprised of bank loan interest and 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 year 2011, net profit after tax of Penglai Jutal amounted to RMB4,556,000. The Group's share of profits from Penglai Jutal amounted to RMB1,367,000 under the equity method of accounting. The significant decrease in the share of profits from Penglai Jutal during the current period is due to the schedule for the expected projects, the amount of project work was relatively less compared with the corresponding period in last year.

Net Profit Attributable to Owners of the Company

Mainly due to the foregoing impact of the significant decline of the profit from Penglai Jutal, in the first half of year 2011, net profit attributable to owners of the Company amounted to RMB16,440,000, representing a decrease of 51.88% compared with corresponding period in year 2010. Basic earnings per share is RMB0.033.

Working Capital and Financial Resources

As at 30 June 2011, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB87,938,000 (31 December 2010: RMB90,196,000). During the period, cash outflow from operating activities amounted to RMB27,090,000, cash outflow from investing activities amounted to RMB2,071,000, and cash inflow from financing activities amounted to RMB27,636,000.

As at 30 June 2011, the total banking facilities of the Group amounted to RMB226,600,000, of which RMB131,646,000 was utilised and RMB94,954,000 was unutilised. Out of the unutilised banking facilities, RMB13,383,000 was available for raising bank loans. As at 30 June 2011, short term bank loans of the Group amounted to RMB78,259,000.

1. BUSINESS REVIEW (CONT'D)

Capital Structure

As at 30 June 2011, the share capital of the Company comprised of 498,100,000 ordinary shares (31 December 2010: 498,000,000 ordinary shares).

As at 30 June 2011, the net assets of the Group amounted to approximately RMB655,752,000 (31 December 2010: RMB656,392,000), comprising non-current assets of approximately RMB548,184,000 (31 December 2010: RMB553,667,000), net current assets of approximately RMB125,996,000 (31 December 2010: RMB121,061,000) and non-current liabilities of approximately RMB18,428,000 (31 December 2010: RMB18,336,000).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

On 5 January 2011, an indirect wholly-owned subsidiary of the Company, Hong Kong Jutal Holdings Limited ("Hong Kong Jutal"), has entered into an acquisition agreement with Firstachieve Group Limited (the "Vendor"). Pursuant to the acquisition agreement, Hong Kong Jutal has agreed to purchase and the Vendor has agreed to sell the entire equity interest of Zhuhai Prospering Offshore Oil Engineering Limited ("Zhuhai Prospering"). The consideration of the acquisition is RMB140,500,000 (approximately HK$163,372,093), and will be satisfied by (i) RMB16,100,000 (approximately HK$18,720,930) in cash from the Group's internal resources; and (ii) RMB124,400,000 (approximately HK$144,651,163) by the issue and allotment of 124,699,278 consideration shares at HK$1.16 each. At the direction of the Vendor, the consideration shares will be issued and allotted to Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, who is an executive director and the Chairman of the Company, where the Vendor is a company wholly-owned by his spouse. At the extraordinary general meeting held on 25 February 2011, the relevant resolution was duly passed by the independent shareholders.

The above acquisition was completed on 26 July 2011.

Significant Investment

During the reporting period, the Group has commenced the second phase of construction of Zhuhai Plant, it is estimated that approximately RMB50,000,000 would be invested in the construction work, and expected to complete by January 2012.

Assets Pledged by the Group

As at 30 June 2011, except for the bank deposits amounted to RMB1,554,000 that were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance, there were no other assets pledged by the Group.

1. BUSINESS REVIEW (CONT'D)

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2011, the Group had total 2,416 employees (31 December 2010: 2,118), of which 418 (31 December 2010: 390) were management and technical staff, and 1,998 (31 December 2010: 1,728) were technicians.

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

The Group has completed the acquisition of Zhuhai Prospering on 26 July 2011, through the acquisition the Group possesses a fabrication site of approximately 400,000 square meters in Equipment Manufacture Area of Zhuhai Gaolan Port Economic Zone. The second phase of Zhuhai plant is under construction as scheduled. Following the construction of port and skid way, the Group will be equipped with the infrastructure for large-scale oil and gas facilities fabrication. In the future, the Group will focus on the development of large-scale offshore engineering fabrication business.

The Group will enhance core engineering capabilities, based on international standard of design, enhance manufacturing capabilities, forming the capability of providing turnkey solution to engineering, procurement and construction, transform from pure manufacturer to EPC turnkey solution provider. In the shipbuilding and oil and gas industry, we rely on our strong design capabilities to improve our integrated services.

The Group will continue to strengthen research and development activities, application for new patents, trial production of new products and experimental work has been scheduled. Through development of new product and promotion of our superior technology, the Group will develop new market and enhance our overall strength.

In the second half of the year, the Group will continue to complete to acquire the qualifications as scheduled, organise the coordination and management of follow-up key projects. During the course of the projects, we will further improve the project management processes and improve manufacturing and operational capabilities. In the meantime, we endeavour to perform marketing activities, put more effort on new businesses and new market exploration, focus on the opportunities in emerging markets, closely track and create the condition necessary for implementation of future projects and prepare for extension of our scope of services, and will devote more resources to staff training and introduction of talents.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the directors of the Company under the Share Option Scheme, 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.

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 2011.

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 information of the Group for the period ended 30 June 2011 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 2010 Annual Report of the Company.

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

Hong Kong, 26 August 2011

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