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JUTAL OFFSHORE OIL SERVICES LIMITED

巨濤海洋石油服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03303)

2012 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was RMB245,062,000, a 17.28% increase over the same period last year.
- Gross profit was RMB55,981,000, a 6.89% increase over the same period last year.
- Profit attributable to owners of the Company was RMB20,107,000, a 22.31% increase over the same period last year.
- Basic earnings per share was RMB0.032 for the six months ended 30 June 2012.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2012.

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 2012 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2011. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 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 2012 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”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover		245,062	208,962
Cost of sales and service		(189,081)	(156,589)
Gross profit		55,981	52,373
Other income	4	683	581
Administrative expenses		(41,818)	(34,209)
Other operating expenses		(98)	(31)
Profit from operations		14,748	18,714
Finance costs	5	(5,545)	(1,566)
Share of profits of an associate		12,405	1,367
Profit before tax		21,608	18,515
Income tax expense	6	(1,501)	(2,075)
Profit for the period attributable to owners of the Company	7	20,107	16,440
Earnings per share	9	RMB	RMB
Basic		3.2 CENTS	3.3 CENTS
Diluted		3.2 CENTS	3.3 CENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	20,107	16,440
Other comprehensive income:		
Exchange differences on translating foreign operations	691	(5,257)
Other comprehensive income for the period, net of tax	691	(5,257)
Total comprehensive income for the period attributable to owners of the Company	20,798	11,183

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	354,873	308,334
Prepaid land lease payments		735	742
Goodwill		182,135	182,135
Intangible assets		2,590	2,522
Investment in an associate		277,847	265,442
Deferred tax assets		3,184	2,469
		821,364	761,644
Current assets			
Inventories		13,948	7,554
Trade and bills receivables	11	73,645	69,979
Gross amount due from customers for contract work		153,497	121,698
Prepayments, deposits and other receivables		30,120	24,884
Finance lease receivables		676	1,351
Due from directors		1,664	1,074
Due from an associate		56	36
Current tax assets		222	222
Pledged bank deposits		2,449	1,770
Bank and cash balances		59,137	69,347
		335,414	297,915
Current liabilities			
Trade and bills payables	12	97,520	65,704
Gross amount due to customers for contract work		7,957	5,648
Accruals and other payables		47,438	40,134
Bank loans		132,430	97,000
Current tax liabilities		440	3,436
		285,785	211,922
Net current assets		49,629	85,993
Total assets less current liabilities		870,993	847,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		<u>22,975</u>	<u>22,575</u>
NET ASSETS		<u>848,018</u>	<u>825,062</u>
Capital and reserves			
Share capital	13	6,084	6,084
Reserves		<u>841,934</u>	<u>818,978</u>
TOTAL EQUITY		<u>848,018</u>	<u>825,062</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 2011 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 2011.

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 2012. 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.

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials <i>RMB'000</i> (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment <i>RMB'000</i> (Unaudited)	Civil engineering business <i>RMB'000</i> (Unaudited)	Provision of technical support services for shipbuilding industry <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
6 months ended 30 June 2012					
Revenue from external customers	45,134	170,149	–	29,779	245,062
Segment profit	<u>12,755</u>	<u>38,149</u>	<u>88</u>	<u>4,989</u>	<u>55,981</u>
At 30 June 2012:					
Segment assets	<u>30,389</u>	<u>536,150</u>	<u>–</u>	<u>43,298</u>	<u>609,837</u>
6 months ended 30 June 2011					
Revenue from external customers	46,977	125,855	–	36,130	208,962
Segment profit	<u>21,591</u>	<u>22,818</u>	<u>7</u>	<u>7,957</u>	<u>52,373</u>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 31 December 2011:					
Segment assets	<u>32,678</u>	<u>436,044</u>	<u>–</u>	<u>34,148</u>	<u>502,870</u>
Six months ended 30 June					
				2012	2011
				<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	(Unaudited)
Reconciliations of segment profit:					
Total profit of reportable segments				55,981	52,373
Unallocated amounts:					
Other income				683	581
Finance costs				(5,545)	(1,566)
Other corporate expenses				(41,916)	(34,240)
Share of profits of an associate				12,405	1,367
Consolidated profit before tax for the period				<u>21,608</u>	<u>18,515</u>

4. OTHER INCOME

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Gain on disposal of property, plant and equipment	47	26
Finance income from finance lease	50	97
Interest income	143	261
Net foreign exchange gains	407	193
Sundry income	36	4
	<u>683</u>	<u>581</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Interest on bank loans	4,673	848
Others	872	718
	<u>5,545</u>	<u>1,566</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	1,204	1,585
Under provision in prior periods	612	398
	<u>1,816</u>	<u>1,983</u>
Deferred tax	(315)	92
	<u>1,501</u>	<u>2,075</u>

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.

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

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

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	436	398
Amortisation of prepaid land lease payment	32	34
Depreciation	6,808	4,500
Directors' emoluments		
– As directors	240	240
– For management	1,622	1,730
– Share-based payments	137	81
	1,999	2,051
Loss on disposal of property, plant and equipment	43	30
	=====	=====

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2010 approved and paid – HK\$0.03 per ordinary share	–	12,699
	=====	=====

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	20,107	16,440
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	622,799,278	498,017,000
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	622,799,278	499,259,000

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

Diluted earnings per share 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. There are no dilutive potential ordinary shares for the period ended 30 June 2012.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately RMB53,427,000 (six months ended 30 June 2011: RMB3,360,000).

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with contract 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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 30 days	39,827	35,900
31 to 90 days	12,641	10,270
91 to 365 days	13,407	21,402
Over 365 days	7,770	2,407
	73,645	69,979

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 30 days	41,679	39,751
31 to 90 days	10,677	13,168
91 to 365 days	35,721	8,638
Over 365 days	9,443	4,147
	97,520	65,704

13. SHARE CAPITAL

		Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At 1 January 2011, 31 December 2011, 1 January 2012 and 30 June 2012		700,000,000	7,000
		<u>700,000,000</u>	<u>7,000</u>
	Note	Number of shares	Equivalent to amount RMB'000
			Amount HK\$'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 January 2011 (Audited)		498,000,000	4,980
Issue of shares for acquisition of a subsidiary	(a)	124,699,278	1,247
Exercise of share options	(b)	100,000	1
		<u>622,799,278</u>	<u>6,228</u>
At 31 December 2011 (Audited) and 30 June 2012 (Unaudited)		<u>622,799,278</u>	<u>6,084</u>

Note:

- (a) Pursuant to an acquisition agreement dated 5 January 2011, the Company issued 124,699,278 consideration shares of HK\$1.16 each to Cheung Hing Investment Limited, which is wholly-owned by Mr. Wang Lishan at the direction of the vendor – Firstachieve Group Limited as part of the purchase consideration for the acquisition of the entire equity interests in Zhuhai Prospering Offshore Oil Engineering Limited.
- (b) Share options were exercised by option holders during the year ended 31 December 2011 to subscribe for a total of 100,000 ordinary shares in the Company at a consideration of HK\$92,000, equivalent to approximately 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 the share-based payment reserve to the share premium account.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2012 (At 31 December 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Since the Group completed the acquisition of Zhuhai Prospering Offshore Oil Engineering Limited in the mid-2011, in order to enhance the capacity of the oil and gas equipment fabrication business to satisfy the needs of the venue and ancillary facilities of large scale equipment, the Group commenced to invest in the second phase of the constructions of Zhuhai plant, in which the port and skid way have completed in March this year and the plant construction is underway. The construction of the second phase of the Zhuhai plant will provide a solid foundation for the Group to undertake the large-scale and high-end oil and gas equipment fabrication and offshore engineering business. Since the end of 2011, the Group has cooperated with the internationally renowned client for the fabrication business of subsea equipment and it will be one of the major business and development for the Group in the future. With these projects having been successfully launched, the Group's high quality fabrication and management system is recognized by the clients and business partners, who began to work with the Group on large-scale cooperation projects. Currently, the subsea equipment, which is used in the offshore deep water project in the South China Sea, is under construction on schedule. In the first half of the year, the Group has continued to enhance the research and development and engineering capacities with more technical staff for expanding the fabrication in the future. Benefitting from the development of the oil and gas equipment fabrication, the Group's revenue from the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased significantly over the corresponding period in last year.

Turnover

The Group recorded a total turnover of approximately RMB245,062,000 in the first half of year 2012, representing an increase of RMB36,100,000 or 17.28% compared with the corresponding period in last year. In which, turnover from the Group's major business of fabrication of oil and gas facilities and oil and gas processing skid equipment business increased by RMB44,294,000 or 35.19% compared with the corresponding period in last year. Turnover from the provision of technical support services for shipbuilding industry business has decreased by RMB6,351,000 or 17.58% 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 decreased by RMB1,843,000 or 3.92% compared with the corresponding period in last year.

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2010, 2011 and 2012:

Product/service	For the six months ended 30 June					
	2012		2011		2010	
	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	45,134	18	46,977	22	42,562	21
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	170,149	70	125,855	60	130,736	65
3. Provision of technical support services for shipbuilding industry	29,779	12	36,130	18	27,678	13
4. Civil engineering business	—	—	—	—	1,215	1
Total	<u>245,062</u>	<u>100</u>	<u>208,962</u>	<u>100</u>	<u>202,191</u>	<u>100</u>

Cost of Sales and Services

In the reporting period, cost of sales and services of the Group amounted to approximately RMB189,081,000, representing an increase of RMB32,492,000 or 20.75% 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 approximately RMB171,549,000, representing 90.73% of total cost of sales and services, and an increase of RMB34,815,000 or 25.46% from RMB136,734,000 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 RMB2,323,000 or 11.70% from RMB19,855,000 in corresponding period in last year to approximately RMB17,532,000 in current period.

Gross Profit

The total gross profit of the Group amounted to approximately RMB55,981,000 for the reporting period, representing an increase of RMB3,608,000 or 6.89% compared with RMB52,373,000 in corresponding period in last year. Due to increase in labour cost and change in business structure, the gross profit margin in our different business segments changed in different manner in current period. The Group will continue to enhance our core competence and strengthen cost control measures so as to raise the gross profit margin of each of our business segments.

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2010, 2011 and 2012:

Product/service	For the six months ended 30 June								
	2012			2011			2010		
	Gross profit margin RMB'000	Percentage of total gross profit %		Gross profit margin RMB'000	Percentage of total gross profit %		Gross profit margin RMB'000	Percentage of total gross profit %	
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	12,755	28	22	21,591	46	41	9,222	22	19
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	38,149	22	68	22,818	18	44	28,026	21	59
3. Provision of technical support services for shipbuilding industry	4,989	17	9	7,957	22	14	9,363	34	20
4. Civil engineering business	88	n/a	1	7	n/a	1	1,021	84	2
Total	<u>55,981</u>		<u>100</u>	<u>52,373</u>		<u>100</u>	<u>47,632</u>		<u>100</u>

Administrative Expenses

Administrative expenses of the Group amounted to approximately RMB41,818,000 for the first half of the year 2012, representing an increase of RMB7,609,000 compared with corresponding period in last year. The increase was mainly due to increase in the Group's assets, which results in a corresponding increase in depreciation charges. In the meantime, in order to accelerate the development of the core technology and design capacity, the Group put great effort to recruit talents with research and development and design skills, which results in a corresponding increase in total staff wages and social security insurance premiums.

Finance Costs

Finance costs of the Group amounted to approximately RMB5,545,000 for the reporting 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"). As both the volume and contract amounts of work of Penglai Jutal for the reporting period has a significant increase over the corresponding period in last year, its earnings also has a significant increase compared with the corresponding period in last year. In the first half of year 2012, net profit after tax of Penglai Jutal amounted to approximately RMB41,349,000 and the Group's share of profits from Penglai Jutal amounted to approximately RMB12,405,000 under the equity method of accounting.

Profit for the period Attributable to Owners of the Company

In the first half of year 2012, profit attributable to owners of the Group amounted to approximately RMB20,107,000, representing an increase of 22.31% compared with corresponding period in last year. Basic earnings per share attributable to owners of the Group are approximately RMB0.032.

Liquidity and Financial Resources

As at 30 June 2012, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB60,270,000 (31 December 2011: RMB70,261,000). During the period, net cash inflow from operating activities amounted to approximately RMB6,963,000, net cash used in investing activities amounted to approximately RMB53,043,000 and net cash inflow from financing activities amounted to approximately RMB35,430,000.

As at 30 June 2012, the total banking facilities of the Group amounted to approximately RMB362,200,000, of which approximately RMB198,182,000 was utilized and approximately RMB164,018,000 was unutilized. Out of the unutilized banking facilities, RMB64,770,000 was available for raising bank loans. As at 30 June 2012, short term bank loans of the Group amounted to approximately RMB132,430,000.

Capital Structure

As at 30 June 2012, the share capital of the Company comprised of 622,799,278 ordinary shares (31 December 2011: 622,799,278 ordinary shares).

As at 30 June 2012, the net assets of the Group amounted to approximately RMB848,018,000 (31 December 2011: RMB825,062,000), comprising non-current assets of approximately RMB821,364,000 (31 December 2011: RMB761,664,000), net current assets of approximately RMB49,629,000 (31 December 2011: RMB85,993,000) and non-current liabilities of approximately RMB22,975,000 (31 December 2011: RMB22,575,000).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the period under review the Group has no material acquisition or disposal of subsidiaries and associated companies.

Significant Investment

The Group has initiated the construction of the second phase of Zhuhai plant since 2011. In the reporting period, the construction of the port and skid way completed, total investment amounted to approximately RMB55 million. The construction of plant commenced in the first half of this year with the estimated required investment of approximately RMB45 million and is expected to be completed and commence operation in the second half of the year 2012.

Foreign Exchange Risk

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are 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. The Group did not enter into any high risk derivatives trading and leveraged foreign exchange contracts for the six months ended 30 June 2012.

Assets Pledged by the Group

As at 30 June 2012, except for the bank deposits amounted to approximately RMB2,449,000 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.

Contingent Liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios at 30 June 2012 and at 31 December 2011 were as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Bank loans	132,430	97,000
Total equity	848,018	825,062
Gearing ratio	15.62%	11.76%

Employees and Remuneration Policy

As at 30 June 2012, the Group had total 3,021 employees (31 December 2011: 2,658), of which 553 (31 December 2011: 525) were management and technical staff, and 2,468 (31 December 2011: 2,133) 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

According to the implementation plans for future development strategies of the Group, the second phase of the Zhuhai plant is expected to be completed and commence operation during the year, thereby providing a solid foundation for the Group to accelerate the development of the oil and gas fabrication business. Besides, the Company will continue to strengthen the input effort of research and development, reinforce the engineering capacity and improve various internal management systems with the aim to further enhance the production capacities and competitiveness. The engineering and construction of oil and gas equipment and facilities business is major business development of the Group in the next stage.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2012.

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 2012.

CORPORATE GOVERNANCE

The Company had adopted the Code on Corporate Governance Practices (the "CGP Code") during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 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 CGP Code during the period from 1 January 2012 to 31 March 2012 and the CG Code during the period from 1 April 2012 to 30 June 2012.

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 the unaudited interim financial information of the Group for the period ended 30 June 2012 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1) 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 2011 Annual Report of the Company.

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

Hong Kong, 24 August 2012

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