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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)

2014 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was RMB461,847,000, a 24.57% increase over the same period last year.
- Gross profit was RMB100,048,000, a 3.75% decrease over the same period last year.
- Profit attributable to owners of the Company was RMB32,782,000, a 7.96% increase over the same period last year.
- Basic earnings per share was RMB0.045 for the six months ended 30 June 2014.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2014.

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 2014 of the Company and its subsidiaries (collectively referred to as the “Group”), together with the comparative figures for the corresponding period in 2013. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2014 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 STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover		461,847	370,754
Cost of sales and service		<u>(361,799)</u>	<u>(266,810)</u>
Gross profit		100,048	103,944
Other income	4	1,438	291
Administrative expenses		(57,840)	(59,214)
Other operating expenses		<u>(990)</u>	<u>(394)</u>
Profit from operations		42,656	44,627
Finance costs	5	(10,180)	(7,109)
Share of profits of an associate		<u>8,256</u>	<u>6,906</u>
Profit before tax		40,732	44,424
Income tax expense	6	<u>(7,950)</u>	<u>(14,060)</u>
Profit for the period attributable to owners of the Company	7	<u>32,782</u>	<u>30,364</u>
Earnings per share	9	RMB	RMB
Basic		<u>4.5 CENTS</u>	<u>4.6 CENTS</u>
Diluted		<u>4.4 CENTS</u>	<u>4.4 CENTS</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>32,782</u>	<u>30,364</u>
Other comprehensive income:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(405)</u>	<u>(3,232)</u>
Other comprehensive income for the period, net of tax	<u>(405)</u>	<u>(3,232)</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>32,377</u></u>	<u><u>27,132</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	482,700	427,337
Prepaid land lease payments		580	612
Goodwill		179,841	177,637
Intangible assets		3,515	1,504
Investment in an associate		291,273	283,017
Deferred tax assets		9,069	11,090
		<u>966,978</u>	<u>901,197</u>
Current assets			
Inventories		39,069	35,443
Trade and bills receivables	11	182,469	214,328
Gross amount due from customers for contract work		318,186	254,676
Prepayments, deposits and other receivables		116,008	69,767
Due from directors		2,023	1,796
Due from an associate		93	93
Current tax assets		222	222
Pledged bank deposits		37,636	18,486
Bank and cash balances		102,737	99,604
		<u>798,443</u>	<u>694,415</u>
Current liabilities			
Trade and bills payables	12	223,017	173,720
Gross amount due to customers for contract work		12,859	14,844
Accruals and other payables		114,583	112,392
Warranty provisions		2,314	1,936
Bank loans		333,350	234,000
Current tax liabilities		2,692	9,738
		<u>688,815</u>	<u>546,630</u>
Net current assets		<u>109,628</u>	<u>147,785</u>
Total assets less current liabilities		<u>1,076,606</u>	<u>1,048,982</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		<u>33,034</u>	<u>30,428</u>
NET ASSETS		<u>1,043,572</u>	<u>1,018,554</u>
Capital and reserves			
Share capital	13	6,990	6,958
Reserves		<u>1,036,582</u>	<u>1,011,596</u>
TOTAL EQUITY		<u>1,043,572</u>	<u>1,018,554</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2013 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 2013.

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Provision of technical 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.
- Provision of technical support services for shipbuilding industry.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

3. SEGMENT INFORMATION (CONT'D)

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 RMB'000 (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000 (Unaudited)	Provision of technical support services for shipbuilding industry RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2014				
Revenue from external customers	49,773	385,943	26,131	461,847
Segment profit	15,240	80,449	4,359	100,048
At 30 June 2014:				
Segment assets	50,566	1,020,182	18,074	1,088,822
Segment liabilities	<u>28,721</u>	<u>272,505</u>	<u>15,263</u>	<u>316,489</u>
Six months ended 30 June 2013				
Revenue from external customers	41,602	307,458	21,694	370,754
Segment profit	6,276	92,114	5,554	103,944
At 31 December 2013:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	44,071	916,783	18,810	979,664
Segment liabilities	<u>30,047</u>	<u>238,951</u>	<u>18,581</u>	<u>287,579</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

3. SEGMENT INFORMATION (CONT'D)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	100,048	103,944
Unallocated amounts:		
Other income	1,438	291
Finance costs	(10,180)	(7,109)
Other corporate expenses	(58,830)	(59,608)
Share of profits of an associate	8,256	6,906
Consolidated profit before tax for the period	40,732	44,424

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposals of property, plant and equipment	62	-
Interest income	280	247
Net foreign exchange gains	788	-
Sundry income	308	44
	1,438	291

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	8,837	4,800
Net foreign exchange losses	-	654
Others	1,343	1,655
	10,180	7,109

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	2,945	657
Under provision in prior periods	378	15
	3,323	672
Deferred tax	4,627	13,388
	7,950	14,060

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2013: Nil).

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance for trade receivables	950	1,737
Allowance for gross amount due from customers for contract work	-	1,808
Amortisation of intangible assets	889	441
Amortisation of prepaid land lease payment	32	32
Depreciation	10,745	9,216
Directors' emoluments		
- As directors	240	240
- For management	2,634	1,853
- Share-based payments	60	120
	2,934	2,213
Loss on disposal of property, plant and equipment	-	127

8. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2013 approved – HK\$0.02 (2012: HK\$0.02) per ordinary share	11,589	11,434

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>32,782</u>	<u>30,364</u>
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	732,223,726	654,023,035
Effect of dilutive potential ordinary shares arising from share options	10,458,433	16,333,108
Effect of dilutive potential ordinary shares arising from warrants	<u>-</u>	<u>13,692,443</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share calculation	<u>742,682,159</u>	<u>684,048,586</u>

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

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately RMB65,074,000 (six months ended 30 June 2013: RMB20,523,000).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

11. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with contract customers are mainly on credit. The credit terms other than retentions receivable generally range from 30 to 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 30 days	61,540	66,397
31 to 90 days	42,829	116,924
91 to 365 days	72,356	21,220
Over 365 days	5,744	9,787
	<u>182,469</u>	<u>214,328</u>

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 30 days	156,103	93,922
31 to 90 days	25,209	48,170
91 to 365 days	34,179	27,221
Over 365 days	7,526	4,407
	<u>223,017</u>	<u>173,720</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

13. SHARE CAPITAL

	<u>Note</u>	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Authorised:			
Ordinary shares of HK\$0.01 each			
At 1 January 2013		700,000,000	7,000
Creation of additional ordinary shares	(a)	<u>800,000,000</u>	<u>8,000</u>
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)		<u>1,500,000,000</u>	<u>15,000</u>
	<u>Note</u>	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 January 2013 (Audited)		628,799,278	6,288
Exercise of warrants	(b)	34,000,000	340
Exercise of share options	(c)	19,100,000	191
Issue of shares on subscription	(d)	<u>50,000,000</u>	<u>500</u>
At 31 December 2013 (Audited)		731,899,278	7,319
Exercise of share options	(e)	<u>4,050,000</u>	<u>41</u>
At 30 June 2014 (Unaudited)		<u>735,949,278</u>	<u>7,360</u>

Note:

- (a) By an ordinary resolution passed at an Extraordinary General Meeting held on 26 April 2013 the authorised ordinary share capital of the Company was increased from HK\$7,000,000 to HK\$15,000,000 by the creation of 800,000,000 shares of HK\$0.01 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

13. SHARE CAPITAL (CON'T)

- (b) On 11 September 2012, the Company and President Securities (Hong Kong) Limited entered into a warrant placing agreement in respect of the placement of 34,000,000 warrants of HK\$0.01 each to independent investors. Each warrant entitle the holder to subscribe for one new ordinary share of the Company at subscription price of HK\$0.7 for a period of 24 months from the date of issue. The placement was completed on 25 September 2012 and the proceeds on the issue of warrants, amounting to approximately RMB267,000, net of warrant issue expenses, was credited to the Company's warrants reserve account.

34,000,000 warrants were exercised by the warrant holders during the year ended 31 December 2013 to subscribe for a total of 34,000,000 ordinary shares in the Company at total consideration of approximately HK\$23,800,000, equivalent to approximately RMB19,040,000 of which approximately RMB272,000 was credited to share capital and the balance of approximately RMB18,768,000 was credited to the share premium account. Approximately RMB267,000 has been transferred from the warrants reserve to the share premium account.

- (c) Share options were exercised by option holders during the year ended 31 December 2013 to subscribe for a total of 19,100,000 ordinary shares in the Company at total consideration of approximately HK\$20,576,000, equivalent to approximately RMB16,462,000 of which approximately RMB153,000 was credited to share capital and the balance of approximately RMB16,309,000 was credited to the share premium account. Approximately RMB5,006,000 has been transferred from the share-based payment reserve to the share premium account.
- (d) On 10 May 2013, Cheung Hing Investments Limited (the immediate parent of the Company and is wholly-owned by Mr. Wang Lishan, who is the chairman and an executive director of the Company) ("Cheung Hing") entered into the placing and subscription agreement with the Company, and Oriental Patron Securities Limited (the "Placing Agent") pursuant to which (i) Cheung Hing has agreed to place and the Placing Agent has agreed to procure the placing of maximum 50,000,000 existing shares of the Company, to not less than six independent placees at HK\$1.73 per share. (the "Placing") (ii) Cheung Hing has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue shares which are equal to the number of the shares places under the Placing at HK\$1.73 per subscription share (the "Subscription").

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

13. SHARE CAPITAL (CON'T)

(d) (CONT'D)

The Placing was completed on 13 May 2013 and 50,000,000 existing shares of the Company were placed by Cheung Hing through the Placing Agent to not less than six places.

The Subscription was completed on 23 May 2013 and 50,000,000 ordinary shares of the Company of HK\$0.01 each were allotted and issued to Cheung Hing. The premium on the issue of shares, amounting to approximately RMB66,995,000, net of share issue expenses, was credited to the Company's share premium account.

- (e) Share options were exercised by option holders during the six months ended 30 June 2014 to subscribe for a total of 4,050,000 ordinary shares in the Company at total consideration of approximately HK\$4,267,000, equivalent to approximately RMB3,371,000 of which approximately RMB32,000 was credited to share capital and the balance of approximately RMB3,339,000 was credited to the share premium account. Approximately RMB1,139,000 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 2014 (At 31 December 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Construction of phase III of our Zhuhai site was completed and put into use in the first half of the year, which further increased the production capacity of the site. The project of subsea manifolds for offshore natural gas fields in Australia and the project of FPSO's topside modules fabrication, which was contracted last year, are close to be formed and expected to be delivered within the year. During the first half of the year, all business segments of the Group realized steady growth while the Group undertook several new orders including the provision of processing equipment for natural gas processing plants project in Tanzania as well as the project of offshore oilfields in the PRC, and the provision of subsea facilities for project of natural gas fields in South China Sea in the PRC. The Group continued to carry out research and development of new products, applied for patents, expanded design teams and adjusted job allocation for design work so as to provide better support to project development.

Turnover

The Group recorded a turnover of approximately RMB461,847,000 in the first half of year 2014, representing an increase of RMB91,093,000 or a growth of 24.57% compared with the corresponding period of last year. In which, turnover from the Group's major area of business development - fabrication of oil and gas facilities and oil and gas processing skid equipment, increased by RMB78,485,000 or a growth of 25.53% compared with the corresponding period of last year. Turnover from the provision of technical support services to shipbuilding industry has increased by RMB 4,437,000 or a growth of 20.45% and turnover from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business have increased by RMB8,171,000 or a growth of 19.64% compared with the corresponding period of last year.

Turnover (cont'd)

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2012, 2013 and 2014:

Product / service	For the six months ended 30 June					
	2014		2013		2012	
	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	49,773	11	41,602	11	45,134	18
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	385,943	83	307,458	83	170,149	70
3. Provision of technical support services for shipbuilding industry	26,131	6	21,694	6	29,779	12
4. Others	-	-	-	-	-	-
Total	461,847	100	370,754	100	245,062	100

Cost of Sales and Service

In the reporting period, cost of sales and service of the Group amounted to approximately RMB361,799,000, representing an increase of RMB94,989,000 or a growth of 35.60% compared with the corresponding period of last year. Cost of sales and service comprised of direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB333,467,000, representing 92.17% of total cost of sales and service, and an increase of RMB88,291,000 or a growth of 36.01% from RMB245,176,000 in the corresponding period of last year. The Group calculates the cost of sales and service of projects on an order-by-order basis, since the composition of cost differs for each project, therefore the composition of cost of sales and service varies from project to project. Manufacturing overheads has increased by RMB6,698,000 or a growth of 30.96% from RMB21,634,000 in the corresponding period of last year to approximately RMB28,332,000 in current period.

Gross Profit

The total gross profit of the Group amounted to approximately RMB100,048,000 for the reporting period, representing an decrease of RMB3,896,000 or a decrease of 3.75% compared with RMB103,944,000 in the corresponding period of last year. The overall gross profit margin decreased to 21.66% from 28.04% in the corresponding period of last year. Change in business structure resulted in various changes in the gross profit margin of our different business segments in the current period.

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2012, 2013 and 2014:

Product / service	For the six months ended 30 June								
	2014			2013			2012		
	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	15,240	31	15	6,276	15	6	12,755	28	22
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	80,449	21	81	92,114	30	89	38,149	22	68
3. Provision of technical support services for shipbuilding industry	4,359	17	4	5,554	26	5	4,989	17	9
4. Others	-	-	-	-	-	-	88	n/a	1
Total	100,048		100	103,944		100	55,981		100

Administrative Expenses

Administrative expenses of the Group amounted to approximately RMB57,840,000 for the first half of year 2014, representing a decrease of RMB1,374,000 compared with the corresponding period of last year.

Finance Costs

Finance costs of the Group amounted to approximately RMB10,180,000 for the reporting period. Finance costs mainly comprised of bank loans interest and bank charges.

Share of Profits of an Associate

The Group held 30% of the equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. (“Penglai Jutal”). In the first half of year 2014, Penglai Jutal recorded net profit after tax of approximately RMB27,519,000 and the Group’s share of profits from Penglai Jutal amounted to approximately RMB8,256,000 under the equity method of accounting.

Profit for the period Attributable to Owners of the Company

In the first half of year 2014, profit attributable to owners of the Company amounted to approximately RMB32,782,000, representing an increase of 7.96% compared with the corresponding period of last year. Basic earnings per share attributable to owners of the Company are approximately RMB0.045.

Liquidity and Financial Resources

As at 30 June 2014, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB117,023,000 (31 December 2013: RMB100,265,000). During the current period, net cash outflow from operating activities amounted to approximately RMB14,679,000, net cash outflow from investing activities amounted to approximately RMB70,879,000, and net cash inflow from financing activities amounted to approximately RMB102,721,000.

As at 30 June 2014, the Group had banking facilities of approximately RMB556,350,000, of which approximately RMB392,528,000 was utilized and approximately RMB163,822,000 was unutilized. As at 30 June 2014, the remaining balance of the short term bank loans of the Group amounted to approximately RMB333,350,000.

Capital Structure

During the reporting period, 4,050,000 ordinary shares were issued by exercising share options under the Company’s share option scheme.

As at 30 June 2014, the share capital of the Company comprised of 735,949,278 ordinary shares (31 December 2013: 731,899,278 ordinary shares).

On 23 July 2014, 40,000,000 subscription shares at the subscription price of HK\$1.85 per subscription share were allotted and issued to not less than six subscribers in accordance with the terms of the subscription agreement dated 7 July 2014, and 20,000,000 warrants at the warrant issue price of HK\$0.01 per warrant were issued to not less than six warrant subscribers in accordance with the terms of the warrant subscription agreement dated 7 July 2014.

As at 30 June 2014, the net assets of the Group amounted to approximately RMB1,043,572,000 (31 December 2013: RMB1,018,554,000), comprising non-current assets of approximately RMB966,978,000 (31 December 2013: RMB901,197,000), net current assets of approximately RMB109,628,000 (31 December 2013: RMB147,785,000) and non-current liabilities of approximately RMB33,034,000 (31 December 2013: RMB30,428,000).

Significant Investment

Construction of phase III of Zhuhai site has been completed and put into use in the reporting period. The Group has made relevant preparation for the construction of phase IV of Zhuhai site which will commence in the second half of the year with an estimated total investments of approximately RMB40,000,000 and expected to be completed in the first half of year 2015. In addition, the Group has newly acquired a piece of land in Zhuhai with area of approximately 78,000 square meters which is expected to be handovered in the second half of the year. This piece of land will be used for subsequent construction of the Zhuhai site.

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 2014.

Assets Pledged by the Group

As at 30 June 2014, a piece of land of the Group located in Zhuhai and part of its building structures and plant with carrying amount of RMB216,958,000 were pledged to a commercial bank in China in order to obtain better financing conditions. The bank deposits of approximately RMB37,636,000 were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios of the Group at 30 June 2014 and at 31 December 2013 were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Bank borrowings	333,350	234,000
Total equity	1,043,572	1,018,554
Gearing ratio	31.94%	22.97%

Employees and Remuneration Policy

As at 30 June 2014, the Group had total 3,637 employees (31 December 2013: 3,299), of which 664 (31 December 2013: 629) were management and technical staff, and 2,973 (31 December 2013: 2,670) were technicians. Total staff cost for the reporting period was approximately RMB147,467,000.

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

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

2. FUTURE OUTLOOK

In the second half of the year, the Group will continue to focus on the progress of the major strategic projects in order to ensure that the quality and delivery date will meet the requirement of the customers. The Group will also make adjustment on and formulate effective market strategies in light of the changes in market environment so as to achieve effective communication with the major customers and keep track on the advent of the opportunities for major projects. As the scale of the Company continues to expand, we will endeavor to optimize and enhance the operation system, and make improvement on the detailed management of projects and production; The Group, furthermore, will continue to upgrade and develop its technological strength while conducting the construction of further extension of Zhuhai site at the same time.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2014.

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

During the reporting period, 4,050,000 ordinary shares were issued by exercising share options under the Company's share option scheme..

On 23 July 2014, 40,000,000 subscription shares at the subscription price of HK\$1.85 per subscription share were allotted and issued to not less than six subscribers in accordance with the terms of the subscription agreement dated 7 July 2014, and 20,000,000 warrants at the warrant issue price of HK\$0.01 per warrant were issued to not less than six warrant subscribers in accordance with the terms of the warrant subscription agreement dated 7 July 2014.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises 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 2014 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2013 Annual Report of the Company.

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

Hong Kong, 29 August 2014

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.