JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03303)

2015 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	Note	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**521,624**	525,442
Prepaid land lease payments		**515**	547
Goodwill		**182,090**	182,090
Intangible assets		**2,725**	3,366
Investment in an associate		**304,643**	290,314
Derivative financial instruments		**590**	-
Deferred tax assets		**5,426**	7,677
		1,017,613	1,009,436
Current assets			
Inventories		**22,270**	19,752
Trade and bills receivables	11	**231,731**	288,518
Gross amount due from customers for contract work		**184,462**	215,333
Prepayments, deposits and other receivables		**57,675**	65,325
Due from directors		**1,690**	1,387
Due from an associate		**2,957**	170
Derivative financial instruments		**1,235**	-
Current tax assets		**2,609**	1,417
Pledged bank deposits		**32,874**	31,498
Bank and cash balances		**55,090**	95,426
		592,593	718,826
Current liabilities			
Trade and bills payables	12	**116,833**	217,164
Gross amount due to customers for contract work		**8,084**	5,452
Accruals and other payables		**95,109**	107,025
Warranty provisions		**3,000**	2,701
Bank borrowings		**192,469**	230,240
Current tax liabilities		**-**	1,661
		415,495	564,243
Net current assets		**177,098**	154,583
Total assets less current liabilities		**1,194,711**	1,164,019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	Note	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		**10,049**	8,000
Deferred tax liabilities		**33,223**	29,650
		43,272	37,650
NET ASSETS		**1,151,439**	1,126,369
Capital and reserves			
Share capital	13	**7,506**	7,504
Reserves		**1,143,933**	1,118,865
TOTAL EQUITY		**1,151,439**	1,126,369

NOTES:

1. BASIS OF PREPARATION

The 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.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Provision of technical support and related services for oil and gas industry and sales of related equipment and materials.

- Fabrication of oil and gas facilities and oil and gas processing skid equipment.

- Provision of technical support services for shipbuilding industry.

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 support and related services for oil and gas industry and sales of related equipment and materials RMB'000 (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000 (Unaudited)	Provision of technical support services for shipbuilding industry RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2015				
Revenue from external customers	**53,024**	**238,972**	**27,448**	**319,444**
Segment profit	**11,804**	**66,065**	**5,720**	**83,589**
At 30 June 2015:				
Segment assets	**39,775**	**922,224**	**20,875**	**982,874**
Segment liabilities	**15,483**	**153,562**	**14,853**	**183,898**
Six months ended 30 June 2014				
Revenue from external customers	49,773	385,943	26,131	461,847
Segment profit	15,240	80,449	4,359	100,048
At 31 December 2014:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	47,225	1,008,043	26,109	1,081,377
Segment liabilities	24,102	257,738	13,217	295,057

3. **SEGMENT INFORMATION (CONT'D)**

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

4. **OTHER INCOME**

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

5. **FINANCE COSTS**

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

6. **INCOME TAX EXPENSE**

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

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2014: Nil).

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

Tax charge on profits assessable elsewhere has 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	
	2015	2014
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Allowance for trade and other receivables	**4,550**	950
Amortisation of intangible assets	**641**	889
Amortisation of prepaid land lease payment	**32**	32
Depreciation	**14,231**	10,745
Directors’ emoluments		
- As directors	**240**	240
- For management	**2,168**	2,634
- Share-based payments	**-**	60
	2,408	2,934

8. DIVIDENDS

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

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

9. **EARNINGS PER SHARE**

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

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

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

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

10. **PROPERTY, PLANT AND EQUIPMENT**

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

12. **TRADE AND BILLS PAYABLES**

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

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

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

13. **SHARE CAPITAL**

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

	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 2014 (Audited)		731,899,278	7,319	6,958
Exercise of share options	(a)	28,255,000	283	226
Issue of shares on subscription	(b)	40,000,000	400	320
At 31 December 2014 (Audited)		800,154,278	8,002	7,504
Exercise of share options	(c)	200,000	2	2
At 30 June 2015 (Unaudited)		800,354,278	8,004	7,506

Note:

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

13. SHARE CAPITAL (CON'T)

(b) On 7 July 2014, the Company and not less than six independent investors entered into a share subscription agreement in respect of subscription of 40,000,000 ordinary shares of HK$0.01 each to the independent investors at a price of HK$1.85 per share. The subscription was completed on 23 July 2014 and the premium on the issue of shares, amounting to approximately RMB58,784,000, net of share issue expenses, was credited to the Company's share premium account.

(c) Share options were exercised by option holders during the six months period ended 30 June 2015 to subscribe for a total of 200,000 ordinary shares in the Company at total consideration of approximately HK$212,000 equivalent to approximately RMB170,000 of which approximately RMB2,000 was credited to share capital and the balance of approximately RMB168,000 was credited to the share premium account. Approximately RMB71,000 has been transferred from the share-based payment reserve to the share premium account.

14. CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

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

Turnover

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

Turnover (cont'd)

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

	For the six months ended 30 June					
Product / service	**2015**		2014		2013	
	RMB'000	**Percentage of total turnover %**	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1. Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	**53,024**	**16**	49,773	11	41,602	11
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**238,972**	**75**	385,943	83	307,458	83
3. Provision of technical support services for shipbuilding industry	**27,448**	**9**	26,131	6	21,694	6
Total	**319,444**	**100**	461,847	100	370,754	100

Cost of Sales and Service

In the reporting period, cost of sales and service of the Group amounted to approximately RMB235,855,000, representing a decrease of RMB125,944,000 or a drop of 34.81% compared to the corresponding period of last year. Cost of sales and service comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB205,883,000, representing 87.29% of total cost of sales and service, and a decrease of RMB127,584,000 or a decrease of 38.26% from RMB333,467,000 in the corresponding period of last year. The Group calculates the cost of sales and service of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and service varies from project to project. Manufacturing overheads has increased by RMB1,640,000 or a growth of 5.79% from RMB28,332,000 in the corresponding period of last year to approximately RMB29,972,000 in current reporting period.

Gross Profit

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

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

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

Other income

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

Administrative and Other Operating Expenses

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

Finance Costs

In the reporting period, finance costs of the Group reached approximately RMB6,512,000, which was mainly comprised of interest expenses from bank borrowings and other expenses such as bank charges.

Share of Profits of an Associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co. Ltd. ("Penglai Jutal"). In the first half of 2015, Penglai Jutal recorded net profit after tax of approximately RMB47,763,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB14,329,000 under equity accounting method.

Profit for the period Attributable to Owners of the Company

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

Liquidity and Financial Resources

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

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

Capital Structure

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

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

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

Significant Investment

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

Foreign Exchange Risk

The principal place of production and operation of the Group is in the People's Republic of China, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are priced in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Hong Kong Dollars ("HKD") would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were priced in other currencies like USD and HKD, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts.

Assets Pledged by the Group

As at 30 June 2015, a piece of land of the Group located in Zhuhai and part of its building structures and plant with carrying amount of RMB210,738,000 were pledged to a commercial bank in China in order to obtain better financing conditions. The bank deposits of approximately RMB32,874,000 were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

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

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.

Capital Management (cont'd)

The gearing ratios of the Group at 30 June 2015 and at 31 December 2014 were as follows:

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

Employees and Remuneration Policy

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

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

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

2. FUTURE OUTLOOK

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

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

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

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

Saved as disclosed above， neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2014 Annual Report and the announcement of the Company dated 31 July 2015.

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

Hong Kong, 31 August 2015

As at the date of this announcement, the executive Directors are Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng, Mr. Zhao Wuhui and Mr.Li Chunyi; and the independent non-executive Directors are Mr. Su Yang, Mr. Xiang Qiang and Mr. Qi Daqing.