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)

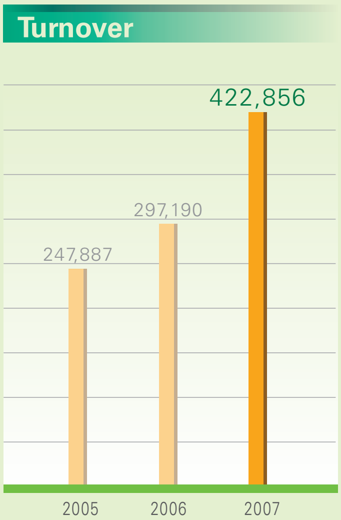
Annual Report **2007**

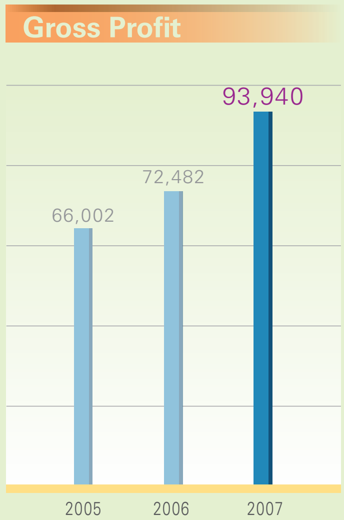
(Stock Code: 3303)

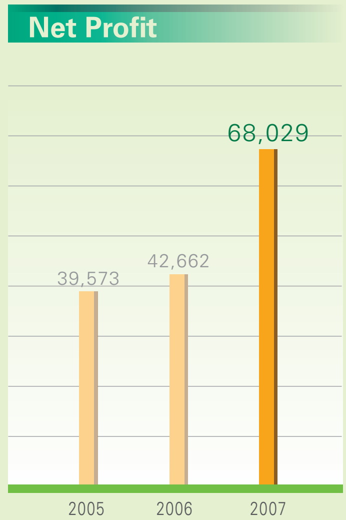
Contents

Financial Highlights

1. RESULTS (RMB'000)





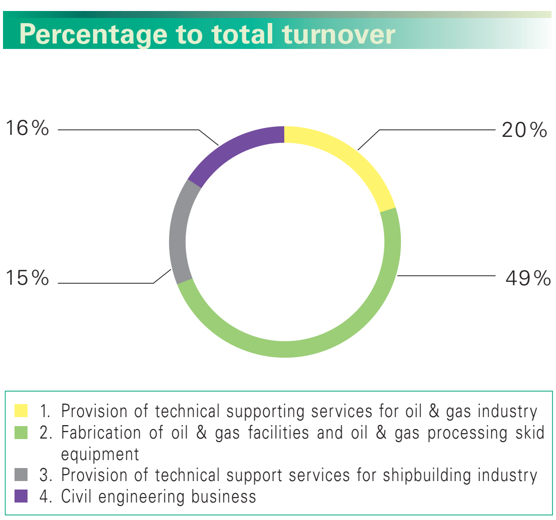


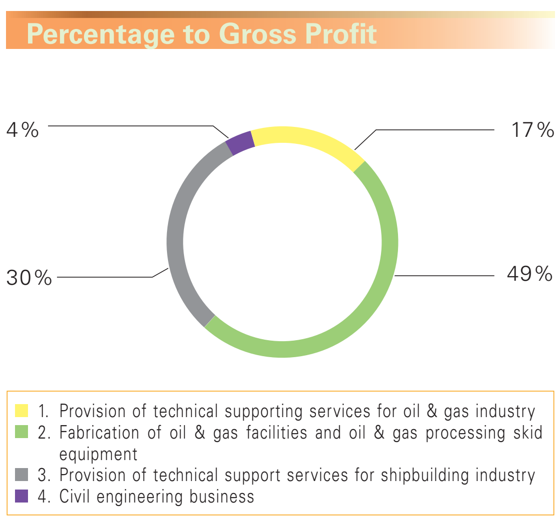
2. BASIC EARNINGS PER SHARE

The Group recorded net profit of RMB68,029,000 for the year. The basic earnings per share was RMB0.1482 calculated on weighted average of 459,115,068 shares in 2007.

3. DIVIDEND

The Board of Director proposed to pay the final dividend of HK$6 cents per share for the year in cash. A total of HK$29,880,000 will paid based on the total number of 498,000,000 shares at the end of the year for the Group.





Wang Lishan
CHAIRMAN

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 (the "Year") to the shareholders.

2007 was a busy and crucial year for Jutal. We further defined strategies and development directions for the Group, for which preliminary preparations had been made for the Group's infrastructure, corporate structure and organisation as well as deployment of staff members.

The Group is principally engaged in the provision of technical support services for offshore oil and gas exploitation and production as well as the manufacturing of various oil and gas facilities and fabrication of oil and gas processing skid equipment, and expands into the provision of technical support services to the shipbuilding industry. Upon completion and commencement of production of the new Zhuhai site, the Group's production capacity of the oil and gas fabrication business, especially oil and gas processing skid equipment fabrication, was enhanced several times, helping identify the oil and gas fabrication business as the cornerstone for our future development, and the strategic target aimed at overseas market expansion. We have specially engaged new management personnel with rich experience and global perspective as well as senior technical and business staff to join Jutal in the hope of making a breakthrough in corporate management, market expansion and technological development.

BUSINESS REVIEW

Acquisition of Equity Interest in Penglai Jutal

In September 2007, we completed the acquisition of a 30% equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"), thereby extending the Group's oil and gas fabrication business into the manufacturing of platform jackets. As such, The Group is preliminarily equipped with a comprehensive fabrication capacity in areas ranging from the whole platform structure to the platform inner modules and processing equipment, enabling Jutal to possess a more comprehensive industry chain in oil and gas fabrication.

Currently, Penglai Jutal owns sites covering an area of approximately 460,000 square metres and three 10,000-tonne skidways, which were put into operation in mid-2006. In 2007, total revenue and profit of Penglai Jutal was RMB280,843,000 and RMB78,495,000 respectively. Several projects from the PRC and overseas customers are currently under construction at full pace.

Oil and Gas Fabrication Business

Most of the orders for the oil and gas processing skid equipment fabrication business in 2007 were sourced from overseas markets. During the reporting period, a total of 39 projects were contracted to build in the whole year. Among these projects, 25 were newly contracted projects in 2007 while 14 projects were contracted in the prior year. 24 projects were completed and delivered in 2007.

We made further achievements in overseas market expansion by having identified additional overseas customers and established a good relationship with business partners, thus enabling us to have jointly acquired major contract projects. Having summarised our past experience, we will improve our customer satifaction through adjusting our business and tender strategies appropriately, taking initiative in launching marketing campaign, putting more effort following up key projects, strengthening our project management, enhancing our project management standard and increasing our working efficiency and product quality.

To improve our production capacity, we built a new fabrication site in Zhuhai Gaolan Port Economic Development Zone (珠海高欄港經濟開發區) in 2007, which covers a total area of approximately 67,000 square metres, among which the workshop occupies an area of approximately 12,000 square metres. The new site is equipped with advance production facilities as well as experienced engineering technicians and management staff. It has commenced production already and will serve as the Group's major base for oil and gas processing skid equipment fabrication.

We also aggressively carried out the development of the business of the fabrication of oil and gas facilities and other businesses. Following our successful completion of a drilling module for the PEMEX project in the Gulf of Mexico in the first half of the year, we undertook a living quarter module fabrication project with a contract amount over RMB50,000,000 from the United Kingdom in the second half of the year. With the concerted efforts of all our project staff, we worked diligently and efficiently to overcome obstacles such as tight construction schedule. We delivered products to our customers on the prescribed schedule and up to the quality standard, receiving positive response from them.

Offshore Oil and Gas Services Business

The offshore oil and gas services business experienced a recovery growth in 2007 as compared to 2006. Being Group's traditional business segment with established advantages, we believe that the business will continue to generate stable cash flow to the Group in the future. Apart from our routine maintenance work, we also carried out modification during the suspension of operation of XJ24-3/30-2, the replacement of wellhead manifold skids for XJ24-3 and the drilling and production upgrade and renovation for HZ19-2. Upon completion of the Fujian LNG submarine pipeline landing project, we undertook another submarine pipeline landing project for CNOOC Engineering in Hainan Ledong oilfield during the reporting period, making further development in this new business area.

Shipbuilding Technical Services Business

In 2007, the Group achieved a satisfactory growth in shipbuilding technical services. Our Dalian branch completed the tank coating project contracting for the PC110 series of vessels as well as the electrical installation and commissioning for the T3000 and T2980 series of vessels and the overall project contracting for chord legs cracks repairing and chord legs extension for PC2000 drilling rig. The Group also succeeded in providing various procurement and fabrication services for the NDB project of NOBLE company.

Following training over years, the management and technical standards of the Group have been substantially enhanced, thereby ensuring that all of our projects progressed on schedule in 2007. A number of records have been made. The construction periods for various projects were substantially shortened, and the passing rates for individual items were over 95%.The costs were well kept under control as our projects were completed ahead of schedule.

Civil Engineering Business

During the reporting period, the civil engineering business of the Group in three major markets, namely Hong Kong, Macau and Dubai of the United Arab Emirates, all made achievements accordingly. In general, the Hong Kong market was much more prosperous than 2006, the Macau market remained basically the same as last year, while the Dubai market maintained a stable growth.

PROSPECTS

The Group will become more globalised in 2008. We have engaged marketing elites with international caliber to join the Group. We will step up our overseas market expansion and strive to establish a good cooperation model with customers. Our experience suggests that we need to raise our operating and management standards, step up market expansion and business proficiency, improve tender and budget management and build up a project management team to manage large scale projects for improving corporate project management standard.

The commencement of the operation of the new site in Zhuhai has laid a preliminary foundation for the Group to achieve its objective of identifying the oil and gas fabrication business as its

strategic focus for supporting the Company's rapid development in future. In the next two years, we will continue to invest in the fabrication business where fabrication bases will be built for fabrication of large scale oil and gas and related modules to gradually build up a product series of Jutal for further promoting its future development.

To cope with any possible changes in the services industry and customers' needs, we will carry out preparations in advance and make full use of the capabilities of existing production facilities and staff members to expand our current business scope and identify new and sustainable business areas for expanding our existing business. We will also take aggressive efforts to seek for new customers for establishing a long-term and stable cooperation relationship.

The enhancement of Company's hardware facilities has laid down a solid foundation for the Company's ongoing rapid development, while the recruitment and development of quality staff are the key assurance for the Company's development. In the coming year, the Company will reinforce staff training and recruitment for improving the management of staff members and teams.

Upon completion of the upgrade of the new quality system during the reporting period, Jutal will announce the implementation of the new Health, Safety and Environment ("HSE") management system in 2008. In line with the operation of the new system, HSE policy and objectives have been set for the year of 2008.

We believe that the year 2008 will be a challenging and promising year for Jutal. On behalf of the Board, I would like to express my heart-felt gratitude to all supporting shareholders, to all enthusiastic and outstanding management and staff of the Group and to our honored customers.

Wang Lishan
Chairman of the Board
Hong Kong

18 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

In the year 2007, the Group recorded a turnover of RMB422,856,000, an increase of RMB125,666,000 or approximately 42.28% as compared to the year of 2006. The increase in turnover was mainly due to the development of the manufacturing business of oil and gas facilities as well as oil and gas fabrication processing skid equipment, the turnover of which increased by RMB63,102,000 or approximately 43.39% from RMB145,407,000 in 2006 to RMB208,509,000 in 2007. The rapid growth in such business was attributable to the development of Chinese domestic and overseas markets and expansion of our product range, such as the build-up of business relationships with local clients China Petroleum Engineering & Construction (Group) Corporation ("CPECC") and Beijing Hua You Gas Company Limited as well as the undertaking of the construction of two living quarters that can accommodate 80 residents for Intech-Power Limited of Scotland, marking a substantial progress made by the Group in the market development and production capacity of our oil and gas fabrication operations. Moreover, as a result of the efforts to step up market expansion in 2007, turnover of the Group's technical support services for the oil and gas industry increased substantially by RMB23,221,000 or approximately 38.19% from RMB60,803,000 in 2006 to RMB84,024,000 in 2007. The Group's technical support services for the shipbuilding industry grew rapidly in 2007 as well, with turnover increasing by RMB15,369,000 or approximately 33.11% from RMB46,417,000 in 2006 to RMB61,786,000 in 2007. The turnover of civil engineering business increased by RMB23,974,000 or approximately 53.80% from RMB44,563,000 in 2006 to RMB68,537,000 in 2007.

The following shows the breakdown of total turnover either by product or by service during the past three years:

	For the financial year ended 31 December					
	2007		2006		2005	
Product/service	**RMB'000**	**Percentage to total turnover**	RMB'000	Percentage to total turnover	RMB'000	Percentage to total turnover
1. Provision of technical supporting services for oil & gas industry	**84,024**	**20**	60,803	20	89,414	36
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	**208,509**	**49**	145,407	49	102,116	41
3. Provision of technical support services for shipbuilding industry	**61,786**	**15**	46,417	16	29,149	12
4. Civil engineering business	**68,537**	**16**	44,563	15	27,208	11
Total	**422,856**	**100**	297,190	100	247,887	100

Cost of sales

The Group's cost of sales and service for 2007 amounted to RMB328,916,000, an increase of 46.37% from RMB224,708,000 in 2006. Cost of sales comprised direct and overhead costs. The Group calculates cost of sales on an order-by-order basis for projects, and the cost elements of each project differ from one another, therefore the cost of sales varies from project to project. The direct cost for 2007 amounted to RMB294,575,000, representing 89.56% of the cost of sales, and an increase of approximately 48.76% over RMB198,020,000 in 2006. Direct cost mainly consists of costs of materials, subcontracting costs and labors costs. The costs of these three elements were RMB103,270,000, RMB48,530,000 and RMB24,060,000 respectively in 2006, and were RMB118,070,000, RMB105,683,000 and RMB32,119,000 respectively in 2007, which accounted for 40.08%, 35.88% and 10.90% of the direct cost respectively, an increase of 14.33%, 117.77% and 33.50% respectively over last year. The increase in subcontracting costs was mainly attributable to the rapid growth in the Group's oil and gas processing skid equipment fabrication business, and the Company's full utilization of external resources to lower costs by relying on subcontractors to accomplish the auxiliary fabrication business, resulting in an increase of RMB57,153,000 or approximately 117.77% in subcontracting costs. The overhead cost in 2007 amounted to RMB34,341,000, an increase of approximately 28.67% over RMB26,690,000 in 2006. The increase was mainly due to the expansion of production capacity, while the increase in the number of employees and the level of salaries raised the salaries of plant management and technical staff by RMB3,085,000.

Gross profit

The Group's gross profit in 2007 increased by 29.60% to RMB93,940,000 from RMB72,482,000 in 2006, and the gross profit margin decreased from 24.39% in 2006 to 22.22%. The fall in gross profit margin was due to the following two reasons: firstly, the percentage of civil engineering business to the Group's total turnover increased by one percentage point while the profit margin of such business was down to approximately 5.97% in 2007 when compared with approximately 24.29% in 2006. The low gross profit margin was mainly attributable to the rise in the local installation and sub-contracting costs in Hong Kong; secondly, the tax rebate rates of certain export products were unexpectedly reduced from 1 July 2007 in the PRC. Given that the Group was subject to the original tax rebate rates when submitting tenders, the profits of certain projects were adversely affected, resulting in a fall of approximately 0.2% in the Group's overall gross profit margin.

The following shows the breakdown of gross profit by product or service segments during the past three years:

	2007			2006			2005		
	RMB'000	Gross profit margin	Percentage to total gross profit	RMB'000	Gross profit margin	Percentage to total gross profit	RMB'000	Gross profit margin	Percentage to total gross profit
1. Provision of technical supporting services for oil & gas industry	**15,966**	**19**	**17**	15,636	26	22	36,381	41	55
2. Fabrication of oil & gas facilities and oil & gas processing skid equipment	**46,203**	**22**	**49**	27,137	19	37	17,607	17	26
3. Provision of technical support services for shipbuilding industry	**27,679**	**45**	**30**	18,882	41	26	7,651	26	12
4. Civil engineering business	**4,092**	**6**	**4**	10,827	24	15	4,363	16	7
Total	**93,940**		**100**	72,482		100	66,002		100

Other income

Other income increased by 69.58% to RMB8,591,000 from 2006, mainly comprising an interest income of RMB5,564,000, an exchange gain of RMB2,232,000 and the reversal of impairment losses on receivables of RMB697,000 for previous years.

Administrative expenses

Administrative expenses mainly comprised wages, entertainment expenses, accommodation and traveling expenses, depreciation expenses, leasing expenses, auditors remuneration, allowance for receivables, intermediary service fees for the listed company and daily operating miscellaneous expenses (which mainly comprised intermediary fees such as expenses for making announcements in newspapers, compliance advisor fees and solicitor fees as well as stamp duties and daily expenses), the total amount of which increased by RMB4,145,000 or 14.29% over 2006 to RMB33,146,000. The increases in 2007 in administrative expenses mainly comprised an increase of RMB4,432,000 in wages and employee benefits (including the expenses charged in the year for granting share options to the directors and competent employees), representing an increase of 43.06% as compared to last year, an increase of RMB434,000 in accommodation and traveling expenses, an increase of RMB401,000 in auditors remuneration and related expenses, an increase of RMB1,949,000 in allowance for receivables as well as an increase of RMB2,317,000 in intermediary service expenses and daily operating miscellaneous expenses for the listed company. The IPO professional service fees of RMB6,862,000 incurred in 2006 were not recurrent in 2007.

Finance cost

Finance cost decreased from 2006 by 18.39% to RMB1,322,000, mainly comprising effective interest expenses on convertible bonds of RMB932,000 and bank charges of RMB389,000. The interests represent those charged to the income statement upon issuance of the HK$68,000,000 convertible bonds to Prospering Investments Limited on 7 September 2007 (the convertible bonds were interest free, and such interest cost is charged according to the estimated fair value of the liability component of the convertible bonds).

Net profit

In summary, the Group's net profit in 2007 amounted to RMB68,029,000, an increase of 59.46% over 2006. Basic earnings per share was RMB0.1482. Contribution from an associate, Penglai Jutal, amounted to RMB11,586,000 calculated under the equity method of accounting was included in the net profit of the group in the year. The Group indirectly acquired 30% equity interest of Penglai Jutal through acquire the entire interest of Stand Success Limited during the year. Excluding the contribution from Penglai Jutal, the net profit of the Group for the original business would be RMB56,443,000, with the net profit margin slightly decreased from 14.36% in 2006 to 13.35%.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's balance of funds (cash plus bank deposits) amounted to approximately RMB149,725,000 (31 December 2006: RMB214,052,000). Current ratio (current assets/current liabilities) was 1.56 (31 December 2006: 4.19).

During 2007, the Group obtained banking facilities totalling RMB118,141,000, of which RMB31,311,000 was utilised and approximately RMB86,830,000 was left utilised. These facilities may be used as security deposits for applying for loans as liquidity, for applying for letters of credit with banks or for performance bonds or for other purposes.

3. CAPITAL STRUCTURE

For the year ended 31 December 2007, the Company's share capital comprised 498,000,000 ordinary shares (as at the end of 2006: 415,000,000 ordinary shares). In June 2007, the Group issued an additional 83,000,000 ordinary shares at the price of HK$2.98 per share by way of placing and subscription arrangement and raised net proceeds of approximately HK$242,393,000 (equivalent to approximately RMB236,382,000 based on the then exchange rate). All the proceeds were used to acquire a 100% equity interest in Stand Success Limited, thereby enabling the Company to indirectly hold a 30% equity interest in Penglai Jutal.

As at 31 December 2007, the Group's net assets amounted to approximately RMB534,527,000 (31 December 2006: RMB264,645,000), including non-current assets of approximately RMB411,900,000 (31 December 2006: RMB31,620,000), net current assets of approximately RMB140,379,000 (31 December 2006: RMB235,274,000) and non-current liabilities of approximately RMB17,752,000 (31 December 2006: RMB2,249,000).

4. MATERIAL ACQUISITION AND DISPOSAL

In September 2007, the Group completed the acquisition of a 100% equity interest in Stand Success Limited at a total consideration of HK$338,000,000 (equivalent to approximately RMB327,860,000 based on the then exchange rate), enabling the Group to indirectly hold a 30% equity interest in Penglai Jutal. In 2007, Penglai Jutal realised a profit of RMB78,495,000. In 2007, the Group recorded profit contributed by Penglai Jutal amounted to RMB11,586,000 under equity method of accounting.

Moreover, the Group has been identifying companies along the industry chain which are similar or complementary to the business of the Group as acquisition targets since 2007 for enhancing its competitiveness. However, as at the end of the reporting year, the Group had not yet identified any target for acquisition.

5. MATERIAL INVESTMENT

At present, the new fabrication site in Zhuhai has commenced operation. The contracts signed up for the site construction and acquisition of production facilities totalled RMB48,566,000. As at 31 December 2007, a total of RMB39,117,000 was already paid in cash.

Apart from the investment in the site in Zhuhai, the total cash paid for the acquisition of production facilities, equipment and other fixed assets amounted to RMB3,794,000 in 2007.

6. FUTURE PLANS FOR SIGNIFICANT INVESTMENT

In accordance with our future development plan, the Group will continue to improve the production facilities in the Zhuhai site in 2008. The preliminarily planned investment is expected to be approximately RMB13,800,000. Together with the outstanding investment amounts in 2007, the investment funds needed in 2008 are estimated at approximately RMB23,249,000.

The Group has already started formulating the construction proposal of the second phase of Zhuhai yard, the project has a site area of approximately 60,000 square metres, will include a skid way and a corresponding launching pier. Upon completion, the yard will enabling the Group to build large equipment and living quarters, thus eliminating the

reliance on leasing other company's venue for large scale fabrication business and the adverse effect brought by limit on fabrication venue. The Group is now inviting tenders for the design of the project, the investment cost is expected to be approximately RMB60,000,000, of which approximately RMB30,000,000 shall be paid in 2008 in cash. The yard is expected to commence fabrication in mid-2009.

In line with the business expansion of Penglai Jutal, the Group will consider to further inject approximately RMB33,000,000 based on its shareholding proportion.

7. RISK OF FOREIGN EXCHANGE

The Group's principal business is located in the PRC. Given the trend of appreciation of Renminbi against the US dollars and Hong Kong dollars, risks arise from the changes in foreign exchange rate to the Group was mainly attribute to the following two areas:

Asset: the potential risks arise from the decline in purchasing power of assets denominated in US dollars or Hong Kong dollars. In 2007, the Group had rationalize the capital structure through utilizing part of the capital denominated in US dollars or Hong Kong dollars to make more investment and lending funds to PRC subsidiaries, and thus reducing loss from exchange rate fluctuation. As at 31 December 2007, net current assets amounted to approximately RMB76,000,000 was denominated in HK dollars or US dollars. The Group will consider making reasonable arrangement to lower the foreign currency risk.

Operations: since certain business contracts of the Group are denominated in US dollars or Hong Kong dollars, and costs incurred are mostly denominated in Renminbi, therefore changes in the foreign exchange rate may bring losses to the Group. In light of the sustain appreciation of Renminbi against US dollars and Hong Kong dollars, the Group has already made thorough consideration to factors such as change in exchange rate, collecting process for account receivables, payment process for project cost when determine the price of a tender, the Group will employ this mechanism as a major way to mitigate foreign exchange risks in 2008.

8. ASSETS PLEDGED BY THE GROUP

As at 31 December 2007, other than the bank deposit of RMB3,346,000 pledged as the security for the performance bonds and other banking facilities, there are no other pledged assets.

9. CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities.

10. EMPLOYEES INFORMATION AND REMUNERATION POLICY

As at 31 December 2007, the total number of employees of the Group is 1,515 (31 December 2006: 1,352), of which 312 (31 December 2006: 261) were management and technical staff, and 1,203 (31 December 2006: 1,091) were technicians.

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

The Group places emphasis on staff development, encourages the continued learning of staff and works out training programme for its staff every year.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Wang Lishan (王立山), aged 49, is an executive director and the chairman of the Company, who is responsible for the overall development strategic planning and overall operations of the Group. He was graduated from Dalian Polytechnic University (大連理工大學) in 1982 with a bachelor's degree in offshore oil construction engineering. Mr. Wang has about 26 years of management and administration experience in the oil and natural gas industries. Prior to joining the Group, he worked in Bohai Petroleum Company Platform Manufacturing Factory (渤海石油公司平台製造廠) from 1982 to 1988 and Offshore Oil Company of Bohai Oil Company (渤海石油公司) from 1988 to 1995. Mr. Wang joined the Group in 1995, and was appointed as an executive director of the Company in November 2005.

Mr. Jiang Dong (姜東), aged 40, is an executive director and the vice chairman of the Company, who is responsible for the overall development strategic planning and overall operations of the Group with the chairman. He was graduated from Beijing Polytechnic University (北京理工大學) in 1989 with a bachelor's degree in mechanical engineering, and obtained his master degree in business administration from Peking University (北京大學) in 2006. Mr. Jiang joined the Group in 1995 as the deputy general manager of Shenzhen Jutal Machinery Equipment Co., Ltd. in charge of the operation and management of offshore engineering projects. He has been in charge of the overall offshore engineering installation, procurement, hull outfitting and constructions since 1998. He became the general manager of Shenzhen Jutal Machinery Equipment Co., Ltd. in 2003. Prior to joining the Group, he had worked in Jiangxi Nanchang Tool Manufacturing Factory (江西南昌工具製造廠) and had worked as the project coordinator of Hong Kong Chunhua Heavy Industries Limited (香港春化重工有限公司). Mr. Jiang was appointed as an executive director of the Company in August 2006.

Mr. Chen Guocai (陳國才), aged 46, is an executive director and general manager of the Company, who is responsible for the daily operation of the Group. He was graduated with a bachelor degree in petroleum engineering from the Southwest Petroleum Institute（西南石油學院） in 1982, and obtained a MBA degree from the Maastricht School of Management, the Netherlands. Mr. Chen joined China National Offshore Oil Corp. ("CNOOC")（中國海洋石油總公司） as engineer and operation manager in 1982. He Joined Yacheng 13-1 gas project in joint venture with an American Company Arco, which was later merged with BP, as CNOOC Chief Representative of the project, assumed a leadership role in the partnership with ARCO involving in project construction and field operations. He was then promoted to the position of Vice President of CNOOC Shanghai in 2001 and was transfered to CNOOC International as vice president in 2004. Mr. Chen join the Group in February 2007 and was appointed as an executive director of the Company in the Board meeting held in 18 April 2007. He has about 26 years extensive experiences in the petroleum industry ranging from field operation, engineering and construction, operational &, corporate management, merger & acquisition, international and joint venture operation and management.

Mr. Cao Yunsheng (曹雲生), aged 45, is an executive director and deputy general manager of the Company, who is responsible for the financial management, investment and management control of the Group. He was graduated from Tianjin College of Finance and Economics (天津財經學院) in 1988, majoring in accounting, and was graduated with a master degree in business administration from Tianjin University (天津大學) in 2004. Mr. Cao joined the Group in 2001 as the deputy general manager of Shenzhen Jutal Machinery Equipment Co., Ltd. in charge of the finance, administration and the capital operations of the Group and supervision of the Group's cash-flow management. Prior to joining the Group, he was the supervisor of the finance department and chief accountant of Bohai Petroleum Company Platform Manufacturing Factory (渤海石油公司平台製造廠), the chief accountant of China Offshore Oil Platform Construction Company (中國海洋石油平台製造公司) and a financial controller of CNOOC Engineering. Mr. Cao was appointed an executive director of the Company in November 2005.

Independent non-executive Director

Mr. Su Yang (蘇洋), aged 40, is an independent non-executive director of the Company. Mr. Su obtained a bachelor degree in statistics from Hunan University (湖南大學) and the Certificate of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 1992 and 1994 respectively. He has over 15 years of working experience in the field of accounting. Mr. Su was appointed as project manager of Shenzhen Zhongchong Certified Public Accountants (深圳中誠會計師事務所) in 1995 and then Mr. Su served as department manager of Yuehua Certified Public Accountants Co., Ltd. Shenzhen (深圳岳華會計師事務所有限公司) in 1997. He has been the head and principal partner of Shenzhen TaiYang Certified Public Accountants (深圳泰洋會計師事務所) since 2004. In addition, Mr. Su is an independent director of Xiamen Sunrise Investment Holdings Company Limited (廈門旭飛投資股份有限公司), the shares of which are listed on Shenzhen Stock Exchange. Mr. Su was appointed as an independent non-executive director of the Company in August 2006.

Mr. Mai Boliang (麥伯良), aged 49, is an independent non-executive director of the Company. Mr. Mai obtained a bachelor's degree in mechanical engineering from South China University of Technology (華南工學院) in 1982. He has over 22 years of extensive experience and expertise in the offshore transportation and logistics industry in China. Mr. Mai was appointed as assistant general manager of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱（集團）股份有限公司) in 1992 and he is currently the executive director of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱（集團）股份有限公司). In addition, Mr. Mai is currently the Council General (理事長) of China Container Industry Association (中國集裝箱工業協會) and vice president of Trade Union of China Electrical Product Imports and Exports (中國機電產品進出口商會). He was appointed as an independent non-executive director of the Company in August 2006.

Mr. Wang Yu (王宇), aged 36, is an independent non-executive director of the Company. Mr. Wang obtained a master degree and a bachelor degree in International Maritime Studies (國際海事專業) from Dalian Maritime University (大連海事大學) in 1996 and 1993 respectively. He has about 12 years of working experience in the legal field and has been serving as a legal commissioner (法律事務專員) for China International Marine Containers (Group) Ltd. (中國國際海運集裝箱（集團）股份有限公司), the shares of which are listed on Shenzhen Stock Exchange, since 2003. Mr. Wang is currently a director of Shenzhen CIMC Real Estate Development Company Limited (深圳中集置地發展有限責任公司) and Polyearn Development Corp. Mr. Wang was appointed as an independent non-executive director of the Company in August 2006.

Dr. Xiang Bing (項兵), aged 46, is an independent non-executive director of the Company. Dr. Xiang obtained a degree of Doctor of Philosophy in accounting from the University of Alberta in Canada and a bachelor degree in control engineering from the Xi'an Jiaotong University (西安交通大學) in the PRC in 1991 and 1983 respectively. He has over 12 years of teaching experience in the academic field. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business (長江商學院). He is an independent non-executive director of Dan Form Holdings Company Limited (丹楓控股有限公司), HC International Inc. (慧聰國際資訊有限公司), Inner Mongolia Little Sheep Catering Chain Co. (內蒙古小肥羊餐飲連鎖有限公司), Ltd. and China Dongxiang (Group) Co. (中國動向(集團)有限公司), Ltd., the shares of which are listed on The Stock Exchange of Hong Kong Limited, an independent director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司) and TCL Corporation (TCL股份集團有限公司), the shares of which are listed on Shenzhen Stock Exchange, as well as LDK Solar Co., Ltd., Perfect World Co., Ltd., and E-House (China) Holdings Limited, the shares of which are listed in USA. Dr. Xiang was appointed as an independent non-executive director of the Company in August 2006.

AUTHORISED REPRESENTATIVE, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Luk Chi Tong (陸志棠), aged 36, joined the Company in January, 2007. Mr. Luk currently acts as the company secretary, the qualified accountant and the authorised representative of the Company. He has extensive auditing experience. He is a fellow of The Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Iain McCulloch, aged 49, is the deputy general manager of the Company and responsible for the business development of the Group. He was graduated with a Bachelor of Science in Mechanical Engineering in 1982 and has over 25 years experience in oil and gas construction. He had been the senior QA/HSE Engineer of Mobil Oil Refinery Singapore from 1988 to 1992, and became the business development manager of Oil & Gas Project Consultants Pte Ltd Singapore for Asia Pacific from 1998 to 2002. Mr. McCulloch had joined Air Energy Consulting Pte Ltd as business development/Account Manager from 2002 to 2005. Then, he had been working for Falcon Petroleum Project Services Pte Ltd as Managing Director for business development till 2007. Mr. McCulloch joined the Company in January 2008.

Mr. Xue Jimin (薛吉敏), aged 43, is the deputy general manager of the Company and the manager of Dalian branch, responsible for the management of the Group's shipbuilding service operation in Dalian. He was graduated from Wuhan Marine Engineering College (武漢水運工程學院), majoring in port mechanics in 1989. Mr. Xue joined the Group in April 2000. He has over 17 years experience in the provision of engineering services in the shipbuilding industry. Prior to joining the Group, Mr. Xue worked in Tianjin Xingang Shipyard (天津新港船廠) as a senior engineer.

Mr. Liang Hai (梁海), aged 39, is the assistant to the general manager of the Company and responsible for the management of the Group's operation of processing skid equipment. He was graduated from Tianjin University (天津大學) in 1991 with a bachelor's degree in offshore engineering. He has over 15 years experience in the offshore oil and natural gas industries, including inland project manufacturing, marine maintenance and equipment reparation. Mr. Liang joined the Group in April 1999 and had served in a number of positions in the Group, including the project manager, operation manager of the offshore engineering business department, and was appointed the current position in 2006. Prior to joining the Group, he had worked in Bohai Petroleum Platform Manufacturing Factory (渤海石油公司平台製造廠), Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司) and Shenzhen Chiwan Sambawang Engineering Co., Ltd.(深圳赤灣勝寶旺工程有限公司).

Mr. Sun Jili (孫繼禮), aged 41, is the assistant to the general manager of the Company and is in charge of the management and operation of the Group. He was graduated from Dalian Polytechnic University (大連理工大學) in 1990, majoring in ship engineering. Mr. Sun joined the Group in 1998 and had served in a number of positions in the Group, including the project manager, marketing engineer and manager of the marketing team as well as manager of the offshore engineering business department. He has over 17 years of experience in the offshore oil and natural gas industries. Prior to joining the Group, Mr. Sun had worked in Bohai Shipping (遼寧渤海造船廠).

Mr. Jin Yan (金焱), aged 42, is the assistant to the general manager of the Company and the manager of Jutal Engineering Co., Ltd., who is in charge of the Group's inland steel structure and the overall operation of formwork business. He was graduated from the Mechanic Engineering Faculty of Nautical College (上海海運學院)(now the Engineering Mechanic Faculty of the Logistics Engineering College of Shanghai Maritime University (上海海事大學)) in 1988. Mr. Jin joined the Group in March 2000 and had served in a number of positions in the Group, including the manager, general manager of the operation division of New Star System Formwork Company Limited (鑫星系統模板有限公司) and manager of inland business department of Shenzhen Jutal Machinery Equipment Co., Ltd. Prior to joining the Group, Mr. Jin was the manager and deputy general manger of the property department of Shenzhen Gold Industries Co., Ltd. (深圳黃金實業有限公司) and the technical supervisor and deputy manager of the technical department of Shekou China Merchants Port Service (招商港蛇口務有限公司).

Mr. Tian Huiwen (田會文), aged 64, is the manager of new business department of the Company. He joined the Company in February 2007 and is responsible for the study and implement of the Company's M&A business. He was graduated from China University of Petroleum – Beijing (北京石油學院) majored in industry economics and management. Mr. Tian had been working at China Offshore Oil Bohai Company as operation management manager and vice manager from 1970 to 2004 and had been working at China Petroleum Base as consultant for new energy development from 2005 to 2007.

Mr. Lin Feng (林峰), aged 39, is the manager of the offshore engineering business department of Shenzhen Jutal Machinery Equipment Co., Ltd. and is in charge of the management and operation of the Group's offshore oil and gas services business in Shenzhen. He was graduated from Tianjin University (天津大學) in 1991 with a bachelor's degree in offshore and ship engineering. He has over 17 years of experience in offshore engineering. Mr. Lin joined the Group in 1999 and had served as project manager and manager of the design department. Prior to joining the Group, he had worked as an engineer in Bohai Petroleum Platform Manufacturing Factory (渤海石油公司平台製造廠) and assistant manager in Chiwan Sembawang.

Mr. He Shigang (何仕剛), aged 37, is the manager of Jutal Oilfield Services (Tianjin) Co., Ltd. and in charge of its overall business operation. He was graduated from the Marine Engineering College of Northwest Industrial University (西

北工業大學) with a bachelor degree in thermal dynamic mechanical devices in 1993. Mr. He joined the Group in October 1999 and had served in a number of positions in the Group, including the project manager, operation manager of the offshore engineering business department of Shenzhen Jutal Machinery Equipment Co., Ltd., and the manager of the R&D department and manager of the operation department of Jutal Oilfield Services (Tianjin) Co., Ltd. Mr. He became the manager of Jutal Oilfield Services (Tianjin) Co., Ltd. in 2003. Prior to joining the Group, Mr. He was the engineer and chief engineer of the electric design office of the design department of Tianjin Xingang Shipyard (天津新港船廠).

Mr. Li Xiaoming (李曉明), aged 44, is the manager of the process equipment department of Shenzhen Jutal Machinery Equipment Co., Ltd. He obtained a bachelor degree in engineering from Xi'an Jiaotong University (西安交通大學) in 1987. Mr. Li join the Group in 1999 and had been the manager of QA/HSE department and the business and marketing department. Prior joining the Group, he had worked in CNOOC platform manufacture factory (中海油平台製造公司) and Chiwan Sembawang Engineering Co., Ltd. (深圳赤灣勝寶旺工程有限公司) as engineer and project manager.

Mr. Xu Zhe (徐喆), aged 32, is the manager of the marketing department and procurement department of Shenzhen Jutal Machinery Equipment Co., Ltd. and is mainly responsible for the Group's procurement. He was graduated from Wuhan University College & Water Resources and Hydroelectric Engineering (武漢水利水電大學) with bachelor's degree in electro technology in 1996. Mr. Xu joined the Group in April 1998 and had served a number of position in the Group including the project manger, commercial deputy manager and deputy manager of purchases of the offshore engineering business department. He was appointed the present position in Shenzhen Jutal Machinery Equipment Co., Ltd. in 2003. He has over 10 years of experience in the offshore oil and natural gas industries.

Mr. Zhao Wuhui (趙武會), aged 34, is the manager of the accounting department of the Company, responsible for the finance and accounting management. Mr. Zhao graduated from Northeast Forestry University (東北林業大學) with a bachelor degree in accounting in 1998 and joined the Group in March 2002 as finance manager. Prior joining the Group, he had worked with Kerry Oils & Grains (China) Co., Ltd. (嘉里糧油(中國)有限公司) and Everbright Timber Industry (Shenzhen) Co., Ltd. (光大木材工業(深圳)有限公司) as accountant and auditor.

Mr. Yao Xuanyi (姚絢懿), aged 35, is the investor relations manager of the Company. Mr. Yao was graduated from Central University of Finance and Economics (中央財經大學) with a bachelors degree in 1995. He had worked in the Peoples Insurance Company of China Shenzhen Branch, China Southern Glass Group Co., Ltd. (中國南玻集團股份有限公司) and Kingdee International Software Co., Ltd. (金蝶國際軟件股份有限公司). Mr. Yao joined the Group in September 2002 and was responsible for the finance and the investor relations.

The directors of the Company (the "Directors") present the annual report and the audited accounts of the Group for the year ended 31 December 2007.

PRINCIPLE ACTIVITIES

The principle activity of the Company is investment holding.

The Group is engaged in providing integrated services, including fabrication and technical support services in offshore oil & gas and shipbuilding industry, as well as undertaking civil engineering projects.

The activities of the principal subsidiaries are set out in note 18 to the consolidated financial statements.

USE OF PROCEEDS

The Company issued 115,000,000 new shares through public issue and placement in September 2006 at a price of HK$1.38 per share. The net proceeds amounted to about HK$151 million. These proceeds were applied during the year ended 31 December 2007 in accordance with the proposed applications set out in the prospectus of the Company related to its initial public offer.

During the year, from a placing arrangement, details of which are set out in the section headed "Share Capital and Transactions Involving Shares of the Company", the Company obtained the net proceeds of HK$242,393,000. All of the proceeds were applied to acquire the entire issued share capital of Stand Success Resources Limited, details of which are set out in the section headed "Connected Transaction".

DISTRIBUTIVE RESERVES

As at 31 December 2007, the Company's share premium reserve was approximately RMB465,002,000 (subject to section 34 of the Cayman Companies Law and the Article of Association of the Company), and the retained earnings approximately RMB43,375,000 were available for distribution to the shareholders of the Company (the "Shareholders"). Out of the retained earnings, RMB28,087,000 has been proposed as final dividend for the year.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the merger reserve account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

RESULTS AND DIVIDENDS

Details of the Group's result for the year ended 31 December 2007 are set out in the consolidated income statement on page 34.

The Directors recommend the payment of a final dividend of HK$6 cents per ordinary share of the Company (the "Share"), in respect of the financial year ended 31 December 2007 to the Shareholders. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

During the year, the Company allotted and issued 83,000,000 new Shares at a subscription price of HK$2.98 per Share to Cheung Hing Investments Limited under a placing arrangement, pursuant to which Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial Shareholder, placed 83,000,000 existing Shares held by it to the placees who are not connected person and independent of the Company, at a price of HK$2.98 per Share and subscribed for the same amount of new Shares issued and allotted by the Company at a price of HK$2.98 per Share.

Pursuant to an agreement concerning the acquisition of Stand Success Resources Limited, details of which are set out in the section headed "Connected Transaction", the Company issued the redeemable non-interest bearing convertible bonds in an aggregate principal amount of HK$68,000,000 to Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial Shareholder, as part of the consideration. The convertible bonds carry the rights to convert into maximum 17,085,427 Shares at the price of HK$3.98 per Share, subject to adjustment. The convertible bonds were not listed and physically settled equity derivatives. The convertible bonds have a term of one year from the date of issue and will be matured on 6 September 2008. As at 31 December 2007, Prospering Investments Limited has not exercised any conversion rights of the convertible bonds and the Company has not redeemed any part of the convertible bonds.

Details of the movements during the year in share capital of the Company are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

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

During the period ended 31 December 2007 after the date on which the Share first commenced trading on the Stock Exchange, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTIONS

The Company's share option scheme ("Share Option Scheme") was adopted on 28 August 2006 by the way of passing resolutions by all of the then shareholders of the Company with a valid period of 10 years commencing on the date on which the shares of the Company commenced trading on the main board of the Stock Exchange. The Share Option Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 40,000,000 shares, representing 10% of the issued share capital (400,000,000 Shares) at the date of adoption of the Share Option Scheme. The total number of

Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

According to the terms of the Share Option Scheme, the consideration for the grant of the options should be HK$1.00. The options may be exercised in accordance with the terms of the Share Option Scheme at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

The Board approved to grant and the Company has granted 11,460,000 options to Directors and other eligible participants under the Share Option Scheme during the year ended 31 December 2007 and 20,370,000 options on 12 March 2008 after the year ended 31 December 2007 respectively. Details of the options granted under the Share Option Scheme are as follows:

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options *(HK$)*	closing price of the Shares immediately before the date of granting the options *(HK$)*	Number of options as at 1 January 2007	Number of options granted during the relevant year	Number of options exercised during the year	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2007	Shareholding percentage of the underlying shares for the options in the share capital of the Company
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	–	2,000,000	–	–	–	2,000,000	0.40%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	–	2,000,000	–	–	–	–	0.40%
Jiang Dong	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	–	1,000,000	–	–	–	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	–	1,200,000	–	–	–	–	0.24%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	–	1,000,000	–	–	–	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55		1,200,000	–	–	–	–	0.24%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	–	1,000,000	–	–	–	1,000,000	0.20%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55		1,200,000	–	–	–	–	0.24%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	–	6,460,000	–	–	–	6,460,000	1.30%
	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55		14,770,000	–	–	–	–	2.97%
Total						**11,460,000** **20,370,000**	**–** **–**	**–** **–**	**–** **–**	**11,460,000** **–**	**2.30%** **4.09%**

Each option granted under the Share Option Scheme during the year gives the holder the right to subscribe for one share. Although the options granted under the Share Option Scheme during the year has a duration of ten years from the date of grant, they are not fully exercisable within first or the second year from the date of grant (depending on the terms and conditions of the relevant options as set out by the Board upon the granting of the relevant options).

The price for granting the options is HK$1. The exercise price of the options as determined by the Board is not less than the highest of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of the share of the Company at the time of exercise of an option.

No option has been exercised or lapsed during the financial year ended at 31 December 2007.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

The Directors during the year and to the date of this report were as follows:

Executive Directors	**Date of appointment**	**Date of resignation**
Mr. Wang Lishan	24 November 2005	–
Mr. Jiang Dong	26 August 2006	–
Mr. Chen Guocai	18 April 2007	–
Mr. Cao Yunsheng	24 November 2005	–
Mr. Deng Zhiyun	26 August 2006	18 April 2007
Independent Non-executive Directors		
Mr. Mai Boliang	26 August 2006	–
Mr. Su Yang	26 August 2006	–
Dr. Xiang Bing	26 August 2006	–
Mr. Wang Yu	26 August 2006	–

Pursuant to the articles of association of the Company, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue as a Director throughout the meeting at which he retires.

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years, unless terminated by not less than 3 months' notice in writing served by either the Director or the Company. In other circumstances, each agreement can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the agreement or serious misconduct.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years. Save for the Directors' fees of RMB10,000 per month for each independent non-executive Director, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director. Therefore, the Company considers the four independent non-executive Directors to be independent.

Apart from the foregoing, none of the Directors of the Company have entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

The Group's emolument policies are as follows:

(i) the amount of remuneration is determined on a case by case basis depending on the Directors or employees' relevant experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided at the discretion of the Board to the relevant Directors or employees under their remuneration package; and

(iii) the Directors or employees who are eligible participants under the Share Option Scheme may be granted, at the discretion of the Board, the Share Option Scheme adopted by the Company, as part of their remuneration package.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 12 to the consolidated financial statements and the agreement concerning the acquisition of Stand Success Resources Limited, details of which are set out in the section headed "Connected Transaction", no contract of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION OF THE FIVE HIGHEST PAID DIRECTORS/ EMPLOEES

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements, respectively.

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2007, the interests of the Directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(i) Directors

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation *(Note 2)*	287,297,427 (L) *(Note 1)*	57.69%
	Share options	2,000,000(L)	0.4%
Jiang Dong	Interest of a controlled corporation *(Note 3)*	18,000,000 (L)	3.62%
	Share options	1,000,000(L)	0.2%
Chen Guocai	Interest of a controlled corporation *(Note 4)*	10,000,000(L)	2.01%
	Share options	1,000,000(L)	0.2%
Cao Yunsheng	Interest of a controlled corporation *(Note 5)*	12,000,000 (L)	2.41%
	Share options	1,000,000(L)	0.2%

(ii) Associated Corporation

Name of Director	Name of associated corporation	Capacity	Number of shares	Percentage of shareholding in the associated corporation
Wang Lishan	Cheung Hing Investments limited	Beneficial owner	1(L)	100%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Among the 287,297,427 Shares, 270,212,000 shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan and 17,085,427 shares are derivative interests arising from the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a company indirectly wholly-owned by Mr. Wang Lishan, our chairman, Director and substantial Shareholder. For further details of the convertible bonds, please refer to the section headed "Share Capital and Transactions Involving Shares of the Company".

3. The 18,000,000 shares are held by Right East Investments Limited, which is wholly-owned by Jiang Dong.

4. The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.

5. The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the following equities had interests in 5% or more in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO or had an interest or short position in the Shares or underlying Shares which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	**Capacity**	**Number of shares**	**Percentage of shareholding**
Cheung Hing Investments Limited	Beneficial Owner *(Note 2)*	270,212,000 (L) *(Note 1)*	54.26%
Martin Currie (Holdings) Limited	Interest of controlled corporation *(Note 3)*	35,372,000(L)	7.1%
Credit Suisse Group	Interest of controlled corporation *(Note 4)*	34,664,000(L)	6.96%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	25,084,000(L)	5.04%

Notes:

1. The letters "L" denote a long position in the Shares respectively.

2. The 270,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, director and substantial Shareholder of the Company.

3. Among the 35,372,000 Shares, 15,304,000 Shares are held by Martin Currie Inc., which is indirectly wholly-owned by Martin Currie (Holdings) Limited, and 20,068,000 Shares are held by Martin Currie Investment Management, which is indirectly wholly-owned by Martin Currie (Holdings) Limited.

4 The 34,664,000 Shares are held by Credit Suisse (Hong Kong) Limited, which is indirectly wholly-owned by Credit Suisse Group.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 31 December 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the directors of the Company under the Share Option Scheme and the redeemable non-interest bearing convertible bonds held by Prospering Investments Limited, a company indirectly owned as to 100% by Mr. Wang Lishan, our chairman, director and substantial shareholder of the Company, no time during the year 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 52.16% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 19.73% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 22.61% of the Group's total material cost and the purchases attributable to the Group's largest supplier were approximately 9.11% of the Group's total material cost.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

CONNECTED TRANSACTION

The Group completed an acquisition of the entire issued share capital of Stand Success Resources Limited which was indirectly owned as to 100% by Mr. Wang Lishan, our chairman, Director and substantial Shareholder, through Prospering Investments Limited (the "Acquisition") on 7 September 2007. The Acquisition constituted a major and connected transaction for the Company under the Listing Rules. After the Acquisition, the Company indirectly owns 30% equity interest of Penglai Jutal through Stand Success Resources Limited. The total consideration for the Acquisition was HK$338,000,000 which was satisfied by HK$270 million in cash and HK$68 million by issue of the redeemable non-interest bearing convertible bonds to Prospering Investments Limited. Details of the convertible bonds are set out in the section headed "Share Capital and Transactions Involving Shares of the Company"

Details of the Acquisition are disclosed in note 36 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float since the listing of the shares on the Stock Exchange and as at the date of this report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint RSM Nelson Wheeler as auditors of the Company. The Board confirms that there has been no change in auditors of the Company since 24 November 2005, date of incorporation.

On behalf of the Board

Wang Lishan
CHAIRMAN

Hong Kong

18 April 2008

Corporate Governance Report

The Company has adopted the Code on Corporate Governance Practices (the "Code Provisions") introduced in Appendix 14 of the Listing Rules to maintain a high standards of corporate governance so as to improve the corporate transparency and protect the interests of the Shareholders.

In the opinion of the Board, the Company had complied with the Code Provision. There are four independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 of the Company have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

BOARD

The Board currently comprises four executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Wang Lishan
Mr. Jiang Dong
Mr. Chen Guocai
Mr. Cao Yunsheng

Independent Non-executive Directors

Mr. Mai Boliang
Mr. Su Yang
Dr. Xiang Bing
Mr. Wang Yu

Mr. Wang Lishan and Mr. Chen Guocai are the chairman and the general manger of the Company respectively and the roles of chairman and general manager are segregated and not exercised by the same individual. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best acknowledgment of the Company, among the members of the Board, none of them has any financial, business and relative relationship with the other members in the Board, including the chairman and the general manager. All of them are free to make independent judgments.

By the terms of the service contracts, for the executive Directors, and the appointment letters, for the independent non-executive Directors, the term for each Director is three years.

Eighteen board meetings were held at the reviewing period. Details of the attendance of directors are set out below:

Executive Directors	Attendance of meetings
Mr. Wang Lishan	10
Mr. Jiang Dong	10
Mr. Deng Zhiyun (resigned on 18 April 2007)	2
Mr. Chen Guocai (appointed on 18 April 2007)	11
Mr. Cao Yunsheng	14
Independent non-executive directors	
Mr. Mai Boliang	5
Mr. Su Yang	8
Dr. Xiang Bing	5
Mr. Wang Yu	5

The responsibility of the Board is to lead and supervise the development direction and operation strategy of the Group, and to decide on material affairs of the Company such as the resolution of budget, resolution of profits allocation, significant investments and acquisitions, issue of new shares, amendments to the articles of association and appointments to senior management of the Company. While the management of the Company was given sufficiently autonomy by the Board to handle the daily ordinary course of administration and management, when the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of this independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for prepare the financial statements of the Group.

The statement of the auditor of the Company on their reporting responsibilities on the financial statements of the Group is set out in the auditor's report on page 32.

The Group has an internal audit department and a quality control department which are responsible for the internal control and risk management of the Company. The duties of the departments are to audit and review regularly the financial management, production and service procedures and documentation management system of the Company, and to report on the findings of the auditing. The executive Directors and senior management of the Group will be given a monthly financial report and management report so as to supervise the operation development of each business department and make reasonable planning.

The board has conducted a review of the effectiveness of the system of internal control of the Group and according to the review of the internal control system by independent audit authority, the Group will further improve its internal management and supervising system and measures.

COMPLIANCE ADVISER

Sun Hung Kai International Limited was appointed as a compliance adviser of the Company after listing.

AUDIT COMMITTEE AND AUDIT COMMITTEE'S REPORT

The Company has established an audit committee with specific written terms of reference which deal clearly with its duties. The audit committee of the Company has four members, including the four independent non-executive Directors of the Company, which are Mr. Su Yang, Mr. Mai Boliang, Mr. Wang Yu and Dr. Xiang Bing. Mr. Su Yang is the chairman of the audit committee. 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 of Directors as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms.

During the year, two audit committee meetings were held in the year to discuss and approve the financial statements and the dividend payment, to re-appoint the external auditor. The committee adopted the auditor's suggestion and comments that need to improve and made the management to implement. All members attended the meeting.

The audit committee oversees the financial reporting process. In this process, the management of the Company is responsible for the preparation of Group's financial statements including the selection of suitable accounting policies. Independent external auditor is responsible for auditing and attesting to Group's financial statements and evaluating the Group's system of internal controls. The audit committee oversees the respective works of the management and the external auditor to monitor the processes and safeguards employed by them. The audit committee reports to the Board on its findings after each of its meeting.

The Committee reviewed and discussed with management and external independent auditor the Group's financial statements for the year ended 31 December 2007. The audit committee also received reports and discussed with the independent auditor for the general scope of their audit work and their assessment of Group internal controls.

Based on these reviews and discussions and the report of the independent auditor, the audit committee recommended for the Board's approval of the consolidated financial statements for the year ended 31 December 2007, with the Auditor's Report thereon.

The Committee also reviewed and recommended to the Board approval of the unaudited financial statements for the first six months of 2007, prior to public announcement and filing.

The Committee recommended to the Board that the Shareholders be asked to re-appoint RSM Nelson Wheeler as the Group's independent auditor for 2008.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference which deal clearly with its duties. The remuneration committee comprises of four independent non-executive Directors, which are Mr. Mai Boliang, Mr. Su Yang, Mr. Wang Yu and Dr. Xiang Bing. Mr. Mai Boliang is the chairman of the remuneration committee. The primary duties of the remuneration committee are to review and determine the remuneration package, bonus and other allowance terms payable to Directors and senior management, and to make proposals to the Board in respect of the remuneration policy and structure of all the Directors and senior management of the Group.

During the year, one remuneration committee meeting was held in the year to discuss and approve:

(1) annual salary review for 2007 for the Directors and the employees;

(2) the grant of share options under the Share Option Scheme to eligible participants including the Directors; and

(3) the remuneration policy.

All members attended the meeting.

NOMINATION COMMITTEE

The Company has established a nomination committee with specific written terms of reference which deal clearly with its duties. The nomination committee comprises of four independent non-executive directors, namely, Mr. Wang Yu, Mr. Su Yang, Mr. Mai Boliang and Dr. Xiang Bing. Mr. Wang Yu is the chairman of the nomination committee. The nomination committee is responsible to make proposals to the Board of Directors in respect of the appointment of Directors and the renewal plans of Directors. Basically the nomination procedure follows the articles of association of the Company. In considering the candidates, the nomination committee will take into account his past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the articles of association of the Company so as to make the composition of the board of directors filled with a variety and a balance of skills and experience.

During the year, one nomination committee meeting was held in the year to:

(1) recommending and nominating Mr. Chen Guocai to fill vacancies of the Board as a result of the resignation of Mr. Deng Zhiyun; and

(2) reviewing regularly the roles of directors by considering the issues of conflict of interest, their performance and conduct.

All members attended the meeting.

THE AUDITOR'S REMUNERATION

RSM Nelson Wheeler is the Company's external auditor. Their remuneration for providing auditing services and other services for the Group during 2007 are as below:

	HK$'000
Audit service for the annual report	1,150
Review of the interim report	135
Audit service for the acquisition of 30% equity interest of Penglai Jutal	650
Other services	58

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
JUTAL OFFSHORE OIL SERVICES LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the "Company") set out on pages 34 to 87, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

18 April 2008

Consolidated Income Statement

For the Year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Turnover	6	422,856	297,190
Cost of sales and service		(328,916)	(224,708)
Gross profit		93,940	72,482
Other income	7	8,591	5,066
Administrative expenses		(33,146)	(29,001)
Other operating expenses		(536)	(282)
Profit from operations		68,849	48,265
Finance costs	9	(1,322)	(1,620)
Share of profits of an associate	19	11,586	–
Profit before tax		79,113	46,645
Income tax expense	10	(11,084)	(3,983)
Profit for the year	11	68,029	42,662
Attributable to:			
Equity holders of the Company		68,029	42,662
Earnings per share	14		
		RMB	RMB
Basic		14.82 CENTS	12.87 CENTS
Diluted		14.71 CENTS	N/A

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	15	69,491	30,521
Prepaid land lease payments	16	1,025	1,099
Goodwill	17	211,366	–
Investment in an associate	19	130,018	–
		411,900	31,620
Current assets			
Inventories	20	5,069	4,077
Trade receivables	21	42,527	19,990
Gross amount due from customers for contract work	22	154,850	57,064
Prepayments, deposits and other receivables		32,379	12,883
Due from directors	23	238	–
Due from an associate	19	1,867	–
Pledged bank deposits	24	3,346	1,547
Bank and cash balances	24	148,984	213,345
		389,260	308,906
Current liabilities			
Trade and bills payables	25	93,699	47,396
Gross amount due to customers for contract work	22	2,762	3,129
Accruals and other payables		86,433	20,096
Convertible loans	26	61,896	–
Finance lease payables	27	–	123
Current tax liabilities		4,091	2,888
		248,881	73,632
Net current assets		140,379	235,274
Total assets less current liabilities		552,279	266,894

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current liabilities			
Deferred tax liabilities	28	**17,752**	2,249
NET ASSETS		**534,527**	264,645
Capital and reserves			
Share capital	29	**5,048**	4,239
Reserves	32	**529,479**	260,406
TOTAL EQUITY		**534,527**	264,645

Approved by the Board of Directors on 18 April 2008

Wang Lishan
Chairman

Chen Guocai
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2007

	Share Capital (Note 29) RMB'000	Share premium account (Note 32(c)) RMB'000	Special Reserve (Note 32(c)) RMB'000	Convertible loan notes equity reserve (Note 32(c)) RMB'000	Foreign currency translation reserve (Note 32(c)) RMB'000	Share-based payment reserve (Note 32(c)) RMB'000	Statutory Reserves (Note 32(c)) RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total Equity RMB'000
At 1 January 2006	–	–	28,000	–	(151)	–	3,606	38,954	–	70,409
Share issue expenses	–	(7,857)	–	–	–	–	–	–	–	(7,857)
Translation difference	–	–	–	–	(2,054)	–	–	–	–	(2,054)
Net expense recognised directly in equity	–	(7,857)	–	–	(2,054)	–	–	–	–	(9,911)
Profit for the year	–	–	–	–	–	–	–	42,662	–	42,662
Total recognised income and expense for the year	–	(7,857)	–	–	(2,054)	–	–	42,662	–	32,751
Issue of shares on Reorganisation	174	79,866	(80,040)	–	–	–	–	–	–	–
Captialisation issue	2,895	(2,895)	–	–	–	–	–	–	–	–
Issue of shares on listing	1,018	139,492	–	–	–	–	–	–	–	140,510
Issue of shares on placement	152	20,823	–	–	–	–	–	–	–	20,975
Transfer to statutory reserves	–	–	–	–	–	–	3,176	(3,176)	–	–
2006 proposed final dividend	–	–	–	–	–	–	–	(20,750)	20,750	–
	4,239	237,286	(80,040)	–	–	–	3,176	(23,926)	20,750	161,485
At 31 December 2006 and 1 January 2007	4,239	229,429	(52,040)	–	(2,205)	–	6,782	57,690	20,750	264,645
Share issue expenses	–	(4,824)	–	–	–	–	–	–	–	(4,824)
Translation difference	–	–	–	–	(18,211)	–	–	–	–	(18,211)
Net expense recognised directly in equity	–	(4,824)	–	–	(18,211)	–	–	–	–	(23,035)
Profit for the year	–	–	–	–	–	–	–	68,029	–	68,029
Total recognised income and expense for the year	–	(4,824)	–	–	(18,211)	–	–	68,029	–	44,994
2006 final dividend paid	–	–	–	–	–	–	–	–	(20,750)	(20,750)
Issue of shares on placement	809	240,397	–	–	–	–	–	–	–	241,206
Recognition of share based payment	–	–	–	–	–	1,481	–	–	–	1,481
Recognition of equity component of convertible loans	–	–	–	2,951	–	–	–	–	–	2,951
Transfer to statutory reserves	–	–	–	–	–	–	4,850	(4,850)	–	–
2007 proposed final dividend	–	–	–	–	–	–	–	(28,087)	28,087	–
	809	240,397	–	2,951	–	1,481	4,850	(32,937)	7,337	224,888
At 31 December 2007	5,048	465,002	(52,040)	2,951	(20,416)	1,481	11,632	92,782	28,087	534,527

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		79,113	46,645
Adjustments for:			
Finance costs		1,322	1,620
Share of profits of an associate		(11,586)	–
Share based payments		1,481	–
Interest income		(5,564)	(4,149)
Depreciation		3,773	3,241
Amortisation of prepaid land lease payments		74	76
Loss on disposals of property, plant and equipment		80	52
Reversal of impairment losses on receivables		(697)	(851)
Allowances for receivables		2,295	346
Allowances for inventories		–	190
Operating profit before working capital changes		70,291	47,170
Increase in inventories		(992)	(1,902)
(Increase)/decrease in trade receivables		(24,016)	2,191
Increase in gross amount due from customers for contract work		(97,786)	(49,873)
Increase in prepayments, deposits and other receivables		(19,615)	(3,713)
(Increase)/decrease in amounts due from directors		(238)	1,843
(Increase)/decrease in amounts due from an associate		(1,867)	874
Increase in pledged bank deposits		(1,765)	(664)
Increase in trade and bills payables		46,303	25,442
(Decrease)/increase in gross amounts due to customers for contract work		(367)	1,394
Increase in accruals and other payables		66,251	9,942
Decrease in amounts due to related companies		–	(2,688)
Cash generated from operations		36,199	30,016
Income taxes paid		(4,781)	(3,108)
Other finance costs		(389)	(1,572)
Finance lease charges paid		(1)	(48)
Net cash generated from operating activities		31,028	25,288

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5,564**	4,149
Acquisition of a subsidiary	33(a)	**(255,389)**	–
Additions of prepaid land lease payments		**–**	(13)
Purchases of property, plant and equipment		**(42,911)**	(5,598)
Proceeds from disposals of property, plant and equipment		**77**	1,119
Net cash used in investing activities		**(292,659)**	(343)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease payables		**(123)**	(1,440)
Proceeds from issue of shares on placement		**241,206**	161,485
Share issue expenses paid		**(4,824)**	(7,857)
Dividends paid to equity holders of the Company		**(20,750)**	–
Net cash generated from financing activities		**215,509**	152,188
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(46,122)**	177,133
Effect of foreign exchange rate changes		**(18,205)**	(2,042)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**214,052**	38,961
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**149,725**	214,052
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**148,984**	213,345
Pledged bank deposits		**741**	707
		149,725	214,052

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

	2007 RMB'000	2006 RMB'000
Pledged bank deposits (mature in three months or less)	**741**	707
Pledged bank deposits (mature after three months)	**2,605**	840
	3,346	1,547

Notes to the Financial Statements

For The Year Ended 31 December 2007

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 10th Floor, Chiwan Petroleum Building, Shekou, Nanshan District, Shenzhen, PRC. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2007, Cheung Hing Investments Limited, a company incorporated in the Samoa, is the immediate and ultimate parent; and Mr. Wang Lishan is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HKFRSS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year 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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20-44 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(f) Leases *(Continue)*

(ii) Finance leases (Continue)

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the balance sheet as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before the related work is performed are included in the balance sheet under "Accurals and other payables".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loan notes equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(n) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Revenues from the sales of equipments and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(p) Revenue recognition *(Continue)*

Subcontracting fee income is recognised when the subcontracting services are rendered.

Revenues from the rendering of technical consultancy services is recognised when the services of the transaction are rendered. Revenues from the rendering of services other than technical consultancy services are recognised by reference to stage of completion using percentage of completion method as mentioned below.

Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

In general, a 25% completion is applied by the Group as a threshold in determining the initial recognition of profit for a construction contract. When the cost incurred is below 25% of the estimated total contract costs, revenue is recognised only to the extent of costs incurred that are expected to be recoverable. As the outcome of a construction contract cannot be estimated reliably, no profit is recognised.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(q) Employee benefits *(Continue)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Share-based payments

The Group issues equity-settled share-based payments to certain Directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(s) Taxation *(Continue)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, gross amount due from customers for contract work, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(v) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, gross amount due from customers for contract work and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continue)*

(v) Impairment of assets *(Continue)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Allowance for impairment of receivables

The Group's management determines the allowance for impairment of receivables. This estimate is based on the credit history of its customers and the current market condition. It could change significantly as a result of changes in the financial position of the customers. Management will reassess the allowance made at each balance sheet date.

Subsequent to the balance sheet date, there is a disagreement between the Group and a customer on certain services performed on a civil engineering project in Hong Kong. The Group's management had assessed the potential outcome for the disagreement and estimated that retention receivable of RMB 2,176,000 as at 31 December 2007 may not be recoverable. A full impairment was made on this retention receivable and the amount has been charged to the consolidated income statement for the year ended 31 December 2007.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. But given the trend of appreciation of Renminbi against the Hong Kong dollars and United States dollars, and in line with the development plans, the Group has avoided some of the foreign currency risk by diverting part of the funds to Mainland China and through other approach, and will further consider to make reasonable arrangements for assets outside Mainland China denominated in foreign currencies.

At 31 December 2007, if the US dollar had weakened 10 per cent against Renminbi with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB261,000 (2006: RMB766,000) lower, arising mainly as a result of the foreign exchange loss on bank deposits and net position of trade receivables and trade payables denominated in US dollar. If the US dollar had strengthened 10 per cent against Renminbi with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB261,000 (2006: RMB766,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US dollar.

At 31 December 2007, if US dollar had weakened 10 per cent against Hong Kong dollar with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB1,106,000 (2006: RMB23,000) lower, arising mainly as a result of the foreign exchange loss on bank deposits and net position of trade receivables and trade payables denominated in US dollar. If US dollar had strengthened 10 per cent against Hong Kong dollar with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB1,106,000 (2006: RMB23,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US dollar.

5. FINANCIAL RISK MANAGEMENT *(Continue)*

(b) Credit risk

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

The Group's bank deposits bear interest at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's convertible loans bear fixed effective interest rate and therefore are subject to fair value interest rate risks.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair value.

6. TURNOVER

The Group's turnover which represents sales of goods to customers, revenue from construction contracts and other services rendered are as follows:

	2007 **RMB'000**	2006 RMB'000
Sales of goods	**31,040**	16,807
Revenue from construction contracts and other services rendered	**391,816**	280,383
	422,856	297,190

7. OTHER INCOME

	2007 RMB'000	2006 RMB'000
Interest income	**5,564**	4,149
Net foreign exchange gains	**2,232**	–
Reversal of impairment losses on receivables	**697**	851
Sundry income	**98**	66
	8,591	5,066

8. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into four main business segments:

– Provision for technical support services in offshore oil and natural gas exploitation and production and sales of equipment and materials.

– Fabrication of oil and natural gas processing skid equipment.

– Undertaking of civil engineering projects.

– Provision of technical support services in the shipbuilding industry.

8. SEGMENT INFORMATION *(Continue)*

(a) Primary reporting format – business segments *(Continue)*

	Provision of technical support services in offshore oil and natural gas exploitation and production and sales of equipment and materials RMB'000	Fabrication of oil and natural gas processing skid equipment RMB'000	Undertaking of civil engineering projects RMB'000	Provision of technical support services in the shipbuilding industry RMB'000	Elimination RMB'000	Consolidation RMB'000
Year ended 31 December 2007						
Revenue						
External sales	84,024	208,509	68,537	61,786		422,856
Inter-segment sales	–	5,433	31,430	–	(36,863)	–
Total	84,024	213,942	99,967	61,786	(36,863)	422,856
Segment result	15,966	46,203	4,092	27,679		93,940
Other income						8,591
Unallocated expenses						(33,682)
Profit from operations						68,849
Share of profits of an associate						11,586
Finance costs						(1,322)
Profit before tax						79,113
At 31 December 2007						
Segment assets	35,588	181,898	24,359	24,311		266,156
Unallocated assets						535,004
Total assets						801,160
Segment liabilities	17,089	137,711	13,150	5,521		173,471
Unallocated liabilities						93,162
Total liabilities						266,633
Other segment information						
Capital expenditure	1,074	37,794	454	3,589		42,911
Depreciation	1,061	972	434	1,306		3,773
Allowance for receivables	24	58	2,196	17		2,295
Reversal of impairment loss on receivables	426	271	–	–		697

8. SEGMENT INFORMATION *(Continue)*

(a) Primary reporting format – business segments *(Continue)*

	Provision of technical support services in offshore oil and natural gas exploitation and production and sales of equipment and materials RMB'000	Fabrication of oil and natural gas processing skid equipment RMB'000	Undertaking of civil engineering projects RMB'000	Provision of technical support services in the shipbuilding industry RMB'000	Elimination RMB'000	Consolidation RMB'000
Year ended 31 December 2006						
Revenue						
External sales	60,803	145,407	44,563	46,417		297,190
Inter-segment sales	374	–	13,604	–	(13,978)	–
Total	61,177	145,407	58,167	46,417	(13,978)	297,190
Segment result	15,636	27,137	10,827	18,882	–	72,482
Other income						5,066
Unallocated expenses						(29,283)
Profit from operations						48,265
Finance costs						(1,620)
Profit before tax						46,645
At 31 December 2006						
Segment assets	21,568	55,828	13,713	12,912		104,021
Unallocated assets						236,505
Total assets						340,526
Segment liabilities	11,672	39,528	6,367	4,789		62,356
Unallocated liabilities						13,525
Total liabilities						75,881
Other segment information						
Capital expenditure	1,473	1,746	308	2,071		5,598
Depreciation	1,155	837	576	673		3,241
Allowance for receivables	87	4	235	20		346
Allowance for inventories	190	–	–	–		190
Reversal of impairment loss on receivables	–	851	–	–		851

8. SEGMENT INFORMATION *(Continue)*

(b) Secondary reporting format – geographical segments

The Group's four divisions operate in five principal geographical areas – the PRC (excluding Hong Kong and Macau for reporting purposes), Hong Kong, Macau, Other Asian Countries and United Kingdom.

The following is an analysis of the revenue, based on the geographical location of its customers:

	Revenue from external customers	
	2007	2006
	RMB'000	RMB'000
The PRC	**251,678**	210,429
Hong Kong	**52,889**	24,992
Macau	**14,977**	19,700
Other Asian Countries	**12,838**	20,365
United Kingdom	**69,273**	6,145
Others	**21,201**	15,559
	422,856	297,190

The following is an analysis of the total assets and capital expenditure, based on the geographical area in which the assets are located:

	Total assets		Capital expenditure	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**678,628**	179,140	**42,862**	5,579
Hong Kong	**51,974**	153,843	**29**	19
Macau	**7,944**	6,524	**20**	–
Other Asian Countries	**1,045**	793	**–**	–
United Kingdom	**61,222**	–	**–**	–
Others	**347**	226	**–**	–
	801,160	340,526	**42,911**	5,598

9. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Finance leases charges	**1**	48
Effective interest expense on convertible loans	**932**	–
Net foreign exchange losses	**–**	1,304
Others	**389**	268
	1,322	1,620

10. INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	228
Over-provision in prior years	**(36)**	(859)
	(36)	(631)
Current tax – PRC Enterprise Income Tax		
Provision for the year	**6,008**	3,750
Over-provision in prior years	**–**	(399)
	6,008	3,351
Current tax – Overseas		
Provision for the year	**87**	419
(Over)/under-provision in prior years	**(75)**	20
	12	439
Deferred tax (note 28)	**5,100**	824
	11,084	3,983

(i) No provision for Hong Kong Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2006 was calculated at 17.5% based on the assessable profit for that year.

10. INCOME TAX EXPENSE *(Continue)*

(ii) PRC Enterprise Income Tax

In accordance with the relevant PRC income tax laws and regulations, the applicable PRC Enterprise Income Tax rates of the Company's subsidiaries are as follows:

(a) Shenzhen Jutal Machinery Equipment Company Limited ("Shenzhen Jutal")

Shenzhen Jutal is a foreign investment enterprise operated in Shenzhen Special Economic Zone with the applicable tax rate at 15%. Pursuant to the approval issued by Shenzhen Municipal Tax Bureau (深圳市地方稅務局) dated 15 September 2005, Shenzhen Jutal, a new and high technology enterprises (高新技術企業), is entitled to a preferential treatment to allow it to enjoy a reduced income tax rate of 7.5% starting from the year 2005 till year 2007.

Pursuant to a confirmation letter dated 19 October 2006 issued by Shenzhen State Tax Bureau, Ocean Petroleum Branch (深圳市國家稅務局海洋石油稅收管理分局), the applicable tax rate was increased from 7.5% to 10% with effect from 1 July 2006.

(b) Jutal Oil Field Services (Tianjin) Company Limited ("Tianjin Jutal")

Tianjin Jutal is a foreign investment enterprise operated in Tanggu Marine Hi-Tech Zone with the applicable tax rate at 24%. It is subject to two years tax exemption for the years 2004 and 2005 and three years 50% tax relief for the year 2006 till 2008.

(c) Jutal Offshore Shipbuilding Services (Dalian) Company Limited ("Dalian Jutal")

Dalian Jutal is a foreign investment enterprise operated in Dalian Economic & Technological Development Area with applicable tax rate at 15%. It is subjected to two years tax exemption for the years 2008 and 2009 and three years 50% tax relief for the year 2010 till 2012. No provision was made for the financial year ended 31 December 2007 as Dalian Jutal incurred tax loss in the year.

(d) Jutal Offshore Oil Services (Zhuhai) Company Limited ("Zhuhai Jutal")

Zhuhai Jutal is a domestic enterprise established in PRC with applicable tax rate at 15%. No provision was made for the financial year ended 31 December 2007 as Zhuhai Jutal incurred tax loss in the year.

10. INCOME TAX EXPENSE *(Continue)*

(iii) 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.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate are as follows:

	2007 **RMB'000**	2006 RMB'000
Profit before tax (excluding share of profits of an associate)	**67,527**	46,645
Tax at the PRC Enterprise Income Tax rate of 15% (2006: 15%)	**10,129**	6,997
Tax effect of income that is not taxable	**(3,997)**	(1,240)
Tax effect of expenses that are not deductible	**4,802**	2,309
Tax effect of temporary differences not recognised	**968**	(36)
Increase in deferred tax liability resulting from change in tax rate enacted	**1,449**	–
Over-provision in prior years	**(111)**	(1,238)
Effect of different tax rates of subsidiaries	**(2,156)**	(2,809)
Income tax expense	**11,084**	3,983

The new PRC enterprise income tax law ("New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include but not limit to the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The New Tax Law will be effective from 1 January 2008. On 26 December 2007, the State Council announced the detailed measures and regulations of the New Tax Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC enterprise income tax rate from 15% or 24% to 25% over five years for grandfathering of incentives for enterprise incorporated in the PRC before 16 March 2007. Under the New Tax Law, the tax rate for Shenzhen Jutal would be as follows:

	PRC Enterprise Income Tax rate
Year 2008	18%
Year 2009	20%
Year 2010	22%
Year 2011	24%
Year 2012 and thereafter	25%

10. INCOME TAX EXPENSE *(Continue)*

Under the grandfathering treatments of the New Tax Law ("Grandfathering Treatments"), Tianjin Jutal and Dalian Jutal, which had not fully utilised its five-year tax holiday upon implementation of the New Tax Law, will be allowed to continue to receive such a tax holiday during the five-year grandfathering period. Accordingly, Tianjin Jutal which is taxed at 12.5% (50% reduction in PRC income tax) for the year 2008, will be subject to the new tax rate at 25% starting from 1 January 2009. Dalian Jutal is exempted from PRC income tax for the two years starting from 1 January 2008 to 31 December 2009, followed by a reduced PRC enterprise income tax rate at 11%, 12% and 12.5% respectively for the remaining three years from 1 January 2010 to 31 December 2012.

Zhuhai Jutal will subject to the new tax rate at 25% starting from 1 January 2008 under the New Tax Law.

The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2007 **RMB'000**	2006 RMB'000
Depreciation	**3,773**	3,241
Directors' emoluments		
– As directors	**480**	120
– For management	**3,388**	2,237
– Share-based payments	**645**	–
	4,513	2,357
Loss on disposals of property, plant and equipment	**80**	52
Operating lease charges		
– Hire of plant and equipment	**3,866**	3,172
– Land and buildings	**4,756**	5,750
Auditors' remuneration	**1,112**	900
Cost of inventories sold	**118,070**	103,266
Allowance for inventories (included in cost of inventories sold)	**–**	190
Allowance for receivables	**2,295**	346
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**63,016**	48,516
Retirement benefits scheme contributions	**1,981**	1,306
Share-based payments	**1,481**	–
	66,478	49,822

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees	Salaries and allowances	Discretionary Bonus	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wang Lishan	–	722	–	258	19	999
Jiang Dong	–	902	–	129	19	1,050
Cao Yunsheng	–	801	–	129	19	949
Deng Zhiyun *(Note (a))*	–	30	–	–	–	30
Chen Guo Cai *(Note (b))*	–	857	–	129	19	1,005
	–	3,312	–	645	76	4,033
Independent non-executive directors						
Su Yang	120	–	–	–	–	120
Mai Boliang	120	–	–	–	–	120
Wang Yu	120	–	–	–	–	120
Xiang Bing	120	–	–	–	–	120
	480	–	–	–	–	480
Total for 2007	480	3,312	–	645	76	4,513
Executive directors						
Wang Lishan	–	662	–	–	7	669
Jiang Dong	–	869	–	–	7	876
Cao Yunsheng	–	685	–	–	7	692
Deng Zhiyun	–	–	–	–	–	–
	–	2,216	–	–	21	2,237
Independent non-executive directors						
Su Yang	30	–	–	–	–	30
Mai Boliang	30	–	–	–	–	30
Wang Yu	30	–	–	–	–	30
Xiang Bing	30	–	–	–	–	30
	120	–	–	–	–	120
Total for 2006	120	2,216	–	–	21	2,357

Notes:

(a) Resigned on 18 April 2007

(b) Appointed on 18 April 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continue)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included 4 (2006: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2006: 2) individual is set out below:

	2007 RMB'000	2006 RMB'000
Basic salaries and allowances	**332**	817
Discretionary bonus	**–**	–
Share-based payments	**45**	–
Retirement benefit scheme contributions	**–**	19
	377	836

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000	**1**	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2007 RMB'000	2006 RMB'000
Proposed final dividend of HK$0.06 (2006: HK$0.05) per ordinary share	**28,087**	20,750

14. EARNINGS PER SHARE

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

	2007 RMB'000	2006 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	68,029	42,662

	2007	2006
Number of shares		
Issued ordinary shares at 1 January	415,000,000	300,000,000
Effect of issue of shares	44,115,068	31,315,068
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	459,115,068	331,315,068
Effect of dilutive potential ordinary shares arising from share options outstanding	3,411,644	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	462,526,712	N/A

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2006	20,934	13,572	2,998	6,240	–	43,744
Additions	48	2,684	862	1,669	335	5,598
Disposals	(2,202)	(3,628)	(446)	(217)	–	(6,493)
Exchange differences	–	(22)	(12)	–	–	(34)
At 31 December 2006 and at 1 January 2007	18,780	12,606	3,402	7,692	335	42,815
Additions	155	7,160	469	1,900	33,227	42,911
Reclassification	31,266	308	–	–	(31,574)	–
Disposals	–	(525)	(33)	–	–	(558)
Exchange differences	–	(36)	(15)	–	–	(51)
At 31 December 2007	50,201	19,513	3,823	9,592	1,988	85,117
Accumulated depreciation						
At 1 January 2006	3,075	6,676	1,804	2,842	–	14,397
Charge for the year	721	1,002	571	947	–	3,241
Disposals	(1,105)	(3,671)	(374)	(172)	–	(5,322)
Exchange differences	–	(16)	(6)	–	–	(22)
At 31 December 2006 and at 1 January 2007	2,691	3,991	1,995	3,617	–	12,294
Charge for the year	578	1,468	513	1,214	–	3,773
Disposals	–	(390)	(11)	–	–	(401)
Exchange differences	–	(23)	(16)	(1)	–	(40)
At 31 December 2007	3,269	5,046	2,481	4,830	–	15,626
Carrying amount						
At 31 December 2007	46,932	14,467	1,342	4,762	1,988	69,491
At 31 December 2006	16,089	8,615	1,407	4,075	335	30,521

16. PREPAID LAND LEASE PAYMENTS

	2007 RMB'000	2006 RMB'000
At 1 January	**1,099**	1,162
Additions	**–**	13
Amortisation of prepaid land lease payments	**(74)**	(76)
At 31 December	**1,025**	1,099

The Group's prepaid land lease payments represent payments for land use rights situated in the PRC under medium term leases.

17. GOODWILL

	RMB'000
Cost and carrying amount	
At 31 December 2006 and 1 January 2007	–
Arising on acquisition of a subsidiary (note 33a)	211,366
At 31 December 2007	211,366

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the CGU which represents the share of interest in an associate. As at 31 December 2007, no impairment loss on goodwill is identified.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business of the CGU. Budget income is based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five years period. The discount rate applied to cash flow projects is 5.8% and cash flows beyond the five year period are extrapolated using a growth rate of 4.8% which is determined with reference to the prevailing inflation rate in the PRC.

18. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2007 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Directly held:					
Jutal Investment Limited	British Virgin Islands	5 ordinary shares of US$1 each	100%	–	Investment holding
Indirectly held:					
Jutal Engineering Company Limited ("Hong Kong Jutal")	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of technical support services in offshore oil and natural gas exploitation and production and sale of equipment and materials and undertaking of civil engineering projects
Jutal Holdings Limited ("Jutal Holdings")	British Virgin Islands	2 ordinary shares of US$1 each	–	100%	Investment holding
Jutal Engineering (Macau) Company Limited ("Macau Jutal")	Macau	Registered capital of MOP100,000	–	100%	Undertaking of civil engineering projects
Stand Success Resources Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
巨濤油田服務(天津)有限公司 (Jutal Oil Field Services (Tianjin) Company Limited)	PRC	Registered capital of HK$10,000,000	–	100%	Provision of technical support services in offshore oil and natural gas exploitation and production and sale of equipment and materials
深圳巨濤機械設備有限公司 (Shenzhen Jutal Machinery Equipment Company Limited)	PRC	Registered capital of RMB60,000,000	–	100%	Fabrication of oil and natural gas processing skid equipment, provision of technical support services in offshore oil and natural gas exploitation and production and sale of equipment and materials, undertaking of civil engineering projects and provision of technical support services in the shipbuilding industry

18. SUBSIDIARIES *(Continue)*

Particulars of the subsidiaries as at 31 December 2007 are as follows *(Continue)*:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Indirectly held *(cont'd)*:					
珠海巨濤海洋石油服務有限公司 (Jutal Offshore Oil Services (Zhuhai) Company Limited)	PRC	Registered capital of RMB 20,000,000	–	100%	Design and manufacture of oil and gas processing skid equipment.
巨濤海洋船舶工程服務(大連)有限公司 (Jutal Offshore Shipbuilding Services (Dalian) Company Limited)	PRC	Registered capital of HK$10,000,000	–	100%	Provision of technical support services in the shipbuilding industry

Tianjin Jutal, Shenzhen Jutal and Dalian Jutal are foreign investment enterprises established in the PRC, Zhuhai Jutal is a domestic enterprise established in the PRC.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

19. INVESTMENTS IN ASSOCIATES

	2007 RMB'000	2006 RMB'000
Unlisted investments:		
Share of net assets	**130,018**	–

Details of the Group's associate at 31 December 2007 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing**
蓬萊巨濤海洋工程重工有限公司 (Penglai Jutal Offshore Engineering Heavy Industries Company Limited)	PRC	Registered capital of US$27,500,000	30%

19. INVESTMENTS IN ASSOCIATES *(Continue)*

Principal activities:

Sales and construction of facilities for provision of offshore oil and natural gas exploration and production operation, quayside machinery, chemical engineering facilities and steal formation design, fabrication, installation and repair, offshore back office as well as quayside and warehouse services.

Summarised financial information in respect of the Group's associates is set out below:

	2007
	RMB'000
At 31 December	
Total assets	**849,364**
Total liabilities	**(415,971)**
Net assets	**433,393**
Group's share of associate's net assets	**130,018**
Year ended 31 December	
Total revenue	**280,843**
Total profit for the year	**78,495**
Group's share of associate's profit for the year	**11,586**

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

20. INVENTORIES

	2007	2006
	RMB'000	RMB'000
Raw materials	**5,069**	4,077

21. TRADE RECEIVABLES

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

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

	2007 RMB'000	2006 RMB'000
0 to 30 days	**27,616**	12,363
31 to 90 days	**5,060**	2,084
91 to 365 days	**3,867**	3,273
Over 365 days	**5,984**	2,270
	42,527	19,990

As at 31 December 2007, trade receivables aged over 90 days includes retentions receivable amounted to RMB9,260,000 (2006: RMB5,013,000).

As at 31 December 2007, an allowance was made for estimated irrecoverable trade receivables of approximately RMB2,376,000 (2006: RMB904,000). The movement in the allowance for estimated irrecoverable trade receivables during the year is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**904**	1,775
Impairment loss recognised	**2,176**	32
Reversal of impairment losses	**(697)**	(851)
Uncollective amounts written off	**(7)**	(52)
At 31 December	**2,376**	904

21. TRADE RECEIVABLES *(Continue)*

As of 31 December 2007, trade receivables of RMB1,807,000 (2006: RMB1,862,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2007 RMB'000	2006 RMB'000
Up to 3 months	1,181	200
3 to 6 months	320	1,476
Over 6 months	306	186
	1,807	1,862

22. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2007 RMB'000	2006 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	288,836	216,008
Less: Progress billings	(135,128)	(162,073)
Less: Exchange differences	(1,620)	–
	152,088	53,935
Gross amount due from customers for contract work	154,850	57,064
Gross amount due to customers for contract work	(2,762)	(3,129)
	152,088	53,935

In respect of construction contracts in progress at the balance sheet date, retentions receivable included in trade receivables amounted to RMB9,530,000 (2006: RMB6,366,000). The amount of retentions expected to be recovered after more than twelve months amounted to RMB1,255,000 (2006: RMB380,000).

Advances received in respect of construction contracts amounted to RMB70,297,000 at 31 December 2007 (2006: RMB7,164,000) and are included in accruals and other payables.

23. DUE FROM DIRECTORS

Amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

		Group		
Name	**Terms of loan**	**Balance at 31 December 2007**	**Balance at 1 January 2007**	**Maximum amount outstanding during the year**
		RMB'000	RMB'000	RMB'000
Wang Lishan	Unsecured, no fixed repayment terms and interest-free	43	–	748
Cao Yunsheng	Unsecured, no fixed repayment terms and interest-free	–	–	76
Jiang Dong	Unsecured, no fixed repayment terms and interest-free	195	–	195
		238	–	

24. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities of RMB118,141,000 (2006: RMB33,470,000) granted to the Group. As at 31 December 2007, the Group issued performance bonds totalling RMB23,164,000 (2006: RMB7,623,000) and utilised other banking facilities totalling RMB8,147,000 (2006: RMB1,380,000). The deposits are in RMB and HK$ and at fixed interest rate ranging from 0.72% to 2.86% per annum (2006: 0.5% to 0.72% per annum) and therefore are subject to fair value interest rate risk.

As at 31 December 2007, the bank and cash balances of the Group denominated in RMB amounted to RMB79,886,000 (2006: RMB58,505,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. TRADE AND BILLS PAYABLES

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

	2007 RMB'000	2006 RMB'000
0 to 30 days	63,456	28,926
31 to 90 days	16,085	10,939
91 to 365 days	13,494	6,308
Over 365 days	664	1,223
	93,699	47,396

26. CONVERTIBLE LOANS

The convertible loan notes were issued on 7 September 2007. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. The loan notes were convertible at 1 share per HK$3.98 loan note.

The loan notes were interest free and if the notes have not been converted, they will be redeemed at par on 6 September 2008.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, as follows:

	2007 RMB'000
Nominal value of convertible loan notes issued (HK$68,000,000)	63,920
Equity component	(2,951)
Liability component at date of issue	60,969
Interest charged	932
Exchange differences	(5)
Liability component at 31 December 2007	61,896

The interest charged for the year is calculated by applying an effective interest rate of 4.78% to the liability component for the 3.8 months period since the loan notes were issued.

26. CONVERTIBLE LOANS *(Continue)*

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 2007 to be approximately RMB61,896,000. This fair value has been calculated by discounting the future cash flows at the market rate.

The convertible loans will mature on 6 September 2008 and hence they are classified as current liabilities.

27. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Within one year	–	124	–	123
In the second to fifth years, inclusive	–	–	–	–
	–	124	–	123
Less: Future finance charges	–	(1)	N/A	N/A
Present value of lease obligations	–	123	–	123
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(123)
Amount due for settlement after 12 months			–	–

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation RMB'000	Investment in an associate RMB'000	Recognition of contracting income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2006	1,342	–	(566)	649	1,425
Charge to income statement for the year (note 10)	300	–	1,554	(1,030)	824
At 31 December 2006 and at 1 January 2007	1,642	–	988	(381)	2,249
Acquisition of a subsidiary	–	10,403	–	–	10,403
Charge to income statement for the year (note 10)	507	–	4,579	14	5,100
At 31 December 2007	2,149	10,403	5,567	(367)	17,752

At 31 December 2007 the Group has no unused tax losses (2006: Nil).

29. SHARE CAPITAL

	Note	Number of Shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 (2006: HK$0.01) each			
At 1 January 2006		38,000,000	380
Increase in authorised capital		662,000,000	6,620
At 31 December 2006 and 31 December 2007		700,000,000	7,000

29. SHARE CAPITAL *(Continue)*

	Note	Number of Shares	Amount HK$'000	Equivalent to amount RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2006: HK$0.01) each				
At 1 January 2006		1	–	–
Issued in consideration for the acquisition of the issued share capital of Jutal Investments		16,999,999	170	174
Capitalisation issue		283,000,000	2,830	2,895
Issue of shares on listing		100,000,000	1,000	1,018
Issue of shares on placement		15,000,000	150	152
At 31 December 2006 and at 1 January 2007		415,000,000	4,150	4,239
Issue of shares on placement	(a)	83,000,000	830	809
At 31 December 2007		498,000,000	4,980	5,048

(a) Cheung Hing Investments Limited ("the Vendor") which is wholly-owned by Mr. Wang Lishan, the chairman and an executive director of the Company was a substantial shareholder of the Company holding 260,000,000 shares representing 62.65% of the Company's issued share capital as at 7 June 2007. The Vendor and the Company had entered into a placing and subscription agreement ("Placing and Subscription Agreement") dated 7 June 2007 with China Merchants Securities (HK) Company Limited ("the Placing Agent"), pursuant to which the Placing Agent has agreed to place up, and the Vendor sold, 83,000,000 existing shares at the placing price of HK$2.98 per share. Pursuant to the Placing and Subscription Agreement, the Vendor had conditionally agreed to subscribe for 83,000,000 new shares at the placing price. Immediately after the placing and subscription, the Vendor's shareholding in the Company's shares reduced to 52.21% and the total number of issued share of the Company was increased from 415,000,000 to 498,000,000. The Vendor remained as a substantial shareholder of the Company after completion of the Placing and Subscription Agreement. Net proceeds from the subscription was approximately HK$242,393,000 (equivalent to RMB236,382,000).

(b) The Group currently does not have any specific policies and processes for managing capital. But the Group reviews the capital structure frequently and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts if necessary 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.

29. SHARE CAPITAL *(Continue)*

(b) *(Continue)*

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of it's shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2007, 37.71% (2006: 27.71%) of the shares were in public hands.

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company adopted a share option scheme (the "Scheme") on 28 August 2006. The Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, Substantial Shareholders of each member of the Group, associates of the Directors and Substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding an independent non-executive Director who is the Grantee of the Options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval taken on a poll and a circular must be sent to the Shareholders.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

30. SHARE-BASED PAYMENTS *(Continue)*

Equity-settled share option scheme *(Continue)*

Details of the specific categories of options are as follows:

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

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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

	2007 Number of share options	2007 Weighted average exercise price HK$
Outstanding at the beginning of the year	–	
Granted during the year	11,460,000	1.68
Forfeited during the year	–	
Exercised during the year	–	
Expired during the year	–	
Outstanding at the end of the year	11,460,000	1.68
Exercisable at the end of the year	–	

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.2 years and the exercise price is HK$1.68. In 2007, options were granted on 16 March 2007. The estimated fair value of the options on that date is HK$2,863,000.

30. SHARE-BASED PAYMENTS *(Continue)*

Equity-settled share option scheme *(Continue)*

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

	2007 HK$
Grant date share price	1.65
Exercise price	1.68
Expected volatility	26.52% – 29.51%
Expected life	1-2 years *
Risk free rate	3.912% – 3.928%
Expected dividend yield	–

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

* Although the options are exercisable up to 15 March 2017, the directors have considered the trend of increase in market prices of the shares of the Company, which gives an incentive to the holders of share options to exercise the options earlier (i.e. immediately after the vesting period of 1 to 2 years), therefore the directors make an assumption that the expected lives of the options are 1 to 2 years.

31. BALANCE SHEET O1F THE COMPANY

	2007 RMB'000	2006 RMB'000
Investments in subsidiaries	73,442	78,130
Prepayments, deposits and other receivables	316	1,010
Due from subsidiaries	460,245	36,681
Bank and cash balances	19,741	136,002
Accruals and other payables	(1,093)	(918)
Convertible loans	(61,896)	–
NET ASSETS	490,755	250,905
Share capital	5,048	4,239
Reserves	485,707	246,666
TOTAL EQUITY	490,755	250,905

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account RMB'000	Convertible loans notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2006	–	–	–	–	–	–	–
Issue of shares on Recognisation	79,866	–	–	–	–	–	79,866
Capitalisation issue	(2,895)	–	–	–	–	–	(2,895)
Issue of shares on listing	139,492	–	–	–	–	–	139,492
Issue of shares on placement	20,823	–	–	–	–	–	20,823
Share issue expenses	(7,857)	–	–	–	–	–	(7,857)
Translation difference	–	–	(3,841)	–	–	–	(3,841)
Profit for the year	–	–	–	–	21,078	–	21,078
2006 proposed final dividend	–	–	–	–	(20,750)	20,750	–
At 31 December 2006 and at 1 January 2007	229,429	–	(3,841)	–	328	20,750	246,666
Issue of shares on placement	240,397	–	–	–	–	–	240,397
Share issue expenses	(4,824)	–	–	–	–	–	(4,824)
Recognition of share based payment	–	–	–	1,481	–	–	1,481
Recognition of equity component of convertible loans	–	2,951	–	–	–	–	2,951
Translation difference	–	–	(23,261)	–	–	–	(23,261)
2006 final dividend paid	–	–	–	–	–	(20,750)	(20,750)
Profit for the year	–	–	–	–	43,047	–	43,047
2007 proposed final dividend	–	–	–	–	(28,087)	28,087	–
At 31 December 2007	465,002	2,951	(27,102)	1,481	15,288	28,087	485,707

32. RESERVES *(Continue)*

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(r) to the financial statements.

(iii) Special reserve

The special reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation as set out in the prospectus of the Company dated 11 September 2006.

(iv) Statutory reserves

The statutory reserves, which are non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d)(iii) to the financial statements.

(vi) Convertible loan notes equity reserve

The convertible loan notes equity reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in note 3(m) to the financial statements.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 7 September 2007, the Group acquired 100% of the issued share capital of Stand Success Resources Limited for considerations of HK$338,000,000 equivalent to RMB317,720,000. Stand Success Resources Limited was engaged in investment holding during the year.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination RMB'000	Fair value adjustment RMB'000	Fair value RMB'000
Net assets acquired:			
Bank and cash balances	63	–	63
Investments in associate	87,961	30,471	118,432
Accruals and other payables	(86)	–	(86)
	87,938	30,471	118,409
Goodwill			211,366
Less: Recognition of deferred tax liabilities on business combination			(10,403)
			319,372*
Satisfied by:			
Cash			255,452
Convertible loans			63,920
			319,372*
Net cash outflow arising on acquisition:			
Cash consideration paid			(255,452)
Cash and cash equivalents acquired			63
			(255,389)

* Including professional fees of RMB1,652,000 directly attributable to the business combination.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continue)*

(a) Acquisition of a subsidiary *(Continue)*

The goodwill arising on the acquisition of Stand Success Resources Limited is attributable to the anticipated profitability of the interest in an associate.

Stand Success Resources Limited contributed approximately RMB11,571,000 to the Group's profit before tax, for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total Group turnover for the year would have been the same, and profit for the year would have been RMB79,991,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is intended to be a projection of future results.

(b) Major non-cash transaction

During the year, Jutal Investments Limited entered into a Share Purchase Agreement with Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman and an executive director of the Company for the purchase of the entire issued share capital of Stand Success Resources Limited. The balance of the consideration amounted to HK$68,000,000 equivalent to RMB63,920,000 was satisfied by the issue of convertible loans.

34. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2007 **RMB'000**	2006 RMB'000
Property, plant and equipment		
Contracted but not provided for	**10,139**	–
	10,139	–

35. LEASE COMMITMENTS

At 31 December 2007 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007 RMB'000	2006 RMB'000
Within one year	1,987	820
In the second to fifth years, inclusive	1,834	111
After five years	792	–
	4,613	931

Operating lease payments represent rentals payable by the Group for certain of its warehouses and motor vehicles. Leases are negotiated for an average term of eight years and rentals are fixed over the lease terms and do not include contingent rentals.

36. RELATED PARTY TRANSACTIONS

Other than those related party transactions and balances disclosed elsewhere in the financial statements, the Group did not have other transactions with related party during the year.

	2007 RMB'000	2006 RMB'000
Provision of technical services to an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited	–	339

37. EVENTS AFTER THE BALANCE SHEET DATE

On 12 March 2008, the board of directors approved to grant 20,370,000 options to directors of the Company and other employees of the Group. The options vest after one or two years from the date of grant and are then exercisable at HK$1.62. Each option gives the holders the right to subscribe for one ordinary share of the Company. The terms and conditions of the options granted are as follows:

	Number of share option	**Exercise period**
Options granted to directors:		
– On 12 March 2008	2,800,000	12 March 2009 to 11 March 2018
– On 12 March 2008	2,800,000	12 March 2010 to 11 March 2018
	5,600,000	
Options granted to employees:		
– On 12 March 2008	7,385,000	12 March 2009 to 11 March 2018
– On 12 March 2008	7,385,000	12 March 2010 to 11 March 2018
	14,770,000	
	20,370,000	

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 April 2008.

Financial Summary

SUMMARY OF FINANCIAL DATA ANNOUNCED IN PREVIOUS YEARS

(All amounts in RMB'000 unless otherwise stated)

INCOME STATEMENT

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
Turnover	145,590	184,862	248,887	297,190	**422,856**
Profit for the year	19,345	25,987	39,573	42,662	**68,029**

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
Total assets	104,134	127,453	112,765	340,526	**801,160**
Total liabilities	(66,794)	(64,126)	(42,356)	(75,881)	**(266,633)**
Total Equity	37,340	63,327	70,409	264,645	**534,527**

Notes:

1. Financial information for each of the three years ended 31 December 2005 for the Group were prepared in accordance with combined basis as if the Group's structure has been in existence since the Company's shares were listed on the Stock Exchange. The results for the three years ended 31 December 2005 and assets and liabilities as at 31 December 2003, 2004 and 2005 of the Company were extracted from the Company's prospectus dated 11 September 2006.

2. The results for the year ended 31 December 2006 and 31 December 2007 and assets and liabilities as at 31 December 2006 and 31 December 2007 were extracted from the audited consolidated income statement and the audited consolidated balance sheet.

Corporation Information

SHARE INFORMATION

Listing place	:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	:	3303
Listing date	:	21 September 2006
Stock name	:	Jutal Oil Ser
Issued shares	:	498,000,000 ordinary shares
Website	:	http://www.jutal.com

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan *(Chairman)*
Mr. Jiang Dong
Mr. Chen Guocai *(General Manager)*
Mr. Cao Yunsheng

Independent non-executive directors

Mr. Su Yang
Mr. Mai Baoliang
Dr. Xiang Bing
Mr. Wang Yu

Audit committee

Mr. Su Yang *(Chairman)*
Mr. Mai Baoliang
Dr. Xiang Bing
Mr. Wang Yu

Remuneration committee

Mr. Mai Baoliang *(Chairman)*
Mr. Su Yang
Dr. Xiang Bing
Mr. Wang Yu

Nomination committee

Mr. Wang Yu *(Chairman)*
Mr. Mai Baoliang
Mr. Su Yang
Dr. Xiang Bing

COMPANY REPRESENTATIVE, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Luk Chi Tong

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Corporation Information

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