



2009
Interim Report

JUTAL

巨濤海洋石油服務有限公司
Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 3303



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FINANCIAL HIGHLIGHTS

- Turnover was RMB154,742,000, a 8.29% decrease over the same period last year.
- Gross profit was RMB45,430,000, a 26.99% increase over the same period last year.
- Profit attributable to owners of the Company was RMB32,399,000, a 37.81% increase over the same period last year.
- Basic earnings per share was RMB0.065 for the six months ended 30 June 2009 as compared to RMB0.047 in the same period last year, representing a 38.30 % increase.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2009.

The Board of Directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company") is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2009 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2008. These interim financial information have not been audited, but have been reviewed by the auditor and the audit committee of the Company (the "Audit Committee").



INDEPENDENT REVIEW REPORT

RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

**TO THE BOARD OF DIRECTORS OF
JUTAL OFFSHORE OIL SERVICES LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 21 which comprise the condensed consolidated statement of financial position of the Company as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants

Hong Kong
18 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Note	Six months ended 30 June	
		2009 (Unaudited)	2008 (Unaudited)
		RMB'000	RMB'000
Turnover	4	154,742	168,725
Cost of sales and service		(109,312)	(132,951)
Gross profit		45,430	35,774
Other income	5	18,494	6,553
Administrative expenses		(27,723)	(21,022)
Other operating expenses		(2,292)	(113)
Profit from operations		33,909	21,192
Finance costs	6	(2,255)	(2,168)
Share of profit of an associate		12,916	5,183
Profit before tax		44,570	24,207
Income tax expense	7	(6,592)	(697)
Profit for the period	8	37,978	23,510
Attributable to:			
Owners of the Company		32,399	23,510
Minority interests		5,579	–
		37,978	23,510
Earnings per share	9	RMB	RMB
Basic		6.5 CENTS	4.7 CENTS
Diluted		6.5 CENTS	4.7 CENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	RMB'000	RMB'000
Profit for the period	37,978	23,510
Other comprehensive income:		
Exchange differences on translating foreign operations	(217)	(15,427)
Other comprehensive income for the period, net of tax	(217)	(15,427)
Total comprehensive income for the period	37,761	8,083
Attributable to:		
Owners of the Company	32,182	8,083
Minority interests	5,579	–
	37,761	8,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Note	30/06/2009 (Unaudited)	31/12/2008 (Audited)
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	213,513	84,395
Prepaid land lease payments		914	951
Goodwill		197,875	198,099
Investment in an associate		192,778	179,862
Finance lease receivables		3,194	3,779
		608,274	467,086
Current assets			
Inventories		7,411	7,898
Trade and bills receivables	12	39,117	82,316
Gross amount due from customers for contract work		75,065	57,668
Prepayments, deposits and other receivables		42,952	20,006
Finance lease receivables		1,129	1,089
Due from directors		1,289	1,781
Due from an associate		5	76
Current tax assets		1,426	1,480
Pledged bank deposits		7,320	4,056
Bank and cash balances		36,277	44,063
		211,991	220,433
Current liabilities			
Trade and bills payables	13	64,127	68,074
Gross amount due to customers for contract work		2,123	1,106
Accruals and other payables	11	84,813	24,742
Due to a related company		1,005	1,048
Bank loans		50,000	53,326
Current tax liabilities		1,846	1,265
		203,914	149,561
Net current assets		8,077	70,872
Total assets less current liabilities		616,351	537,958

	Note	30/06/2009 (Unaudited) RMB'000	31/12/2008 (Audited) RMB'000
Non-current liabilities			
Deferred tax liabilities		17,522	13,473
NET ASSETS			
Capital and reserves			
Share capital	14	5,048	5,048
Reserves		553,314	520,549
Equity attributable to owners of the Company		558,362	525,597
Minority interests		40,467	(1,112)
TOTAL EQUITY		598,829	524,485

Approved by the Board of Directors

Wang Lishan
Chairman

Cao Yunsheng
Director



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	(Unaudited)											
	Attributable to owners of the Company											
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Statutory reserves	Retained profits	Proposed final dividend	Total	Minority interests	Total Equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	5,048	465,002	(52,040)	2,951	(20,416)	1,481	11,632	92,782	28,087	534,527	-	534,527
Total comprehensive income for the period	-	-	-	-	(15,427)	-	-	23,510	-	8,083	-	8,083
2007 final dividend paid	-	-	-	-	-	-	-	-	(28,087)	(28,087)	-	(28,087)
Recognition of share based payment	-	-	-	-	-	2,228	-	-	-	2,228	-	2,228
Changes in equity for the period	-	-	-	-	(15,427)	2,228	-	23,510	(28,087)	(17,776)	-	(17,776)
At 30 June 2008	5,048	465,002	(52,040)	2,951	(35,843)	3,709	11,632	116,292	-	516,751	-	516,751
At 1 January 2009	5,048	465,002	(52,040)	2,951	(35,853)	6,530	15,946	118,013	-	525,597	(1,112)	524,485
Total comprehensive income for the period	-	-	-	-	(217)	-	-	32,399	-	32,182	5,579	37,761
Capital contributions from minority interests	-	-	-	-	-	-	-	-	-	-	36,000	36,000
Recognition of share based payment	-	-	-	-	-	583	-	-	-	583	-	583
Changes in equity for the period	-	-	-	-	(217)	583	-	32,399	-	32,765	41,579	74,344
At 30 June 2009	5,048	465,002	(52,040)	2,951	(36,070)	7,113	15,946	150,412	-	558,362	40,467	598,829

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	RMB'000	RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	41,831	14,218
Purchases of property, plant and equipment	(80,925)	(19,497)
Other investing cash flows (net)	785	(31,156)
NET CASH USED IN INVESTING ACTIVITIES	(80,140)	(50,653)
Inception of bank loans	50,000	62,164
Repayment of bank loans	(53,326)	–
Capital contributions from minority interests	36,000	–
Dividends paid to owners of the Company	–	(28,087)
NET CASH GENERATED FROM FINANCING ACTIVITIES	32,674	34,077
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,635)	(2,358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	44,750	149,725
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	8	(5,878)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	39,123	141,489

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	36,277	140,947
Pledged bank deposits	2,846	542
	39,123	141,489

Pledged bank deposits can be reconciled to the condensed consolidated statement of financial position as follows:

	As at	
	30/6/2009 (Unaudited)	30/6/2008 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Pledged bank deposits (mature in three months or less)	2,846	542
Pledged bank deposits (mature after three months)	4,474	2,082
	7,320	2,624

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 November 2005 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 Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 September 2006.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008. The accounting policies and methods of computation used in the preparation of the condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 except as stated below.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period and prior periods except as stated below.

a. Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.

b. Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

b. Operating Segments (Continued)

The segment accounting policies under HKFRS 8 are stated in note 4 to the condensed financial statements.

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.

4. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2008. Segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs and share of profit of an associate. Segment assets do not include goodwill, investment in an associate, finance lease receivables, pledged bank deposits, bank and cash balances and other corporate assets.

4. SEGMENT INFORMATION (Continued)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment (Unaudited)	Civil engineering business (Unaudited)	Provision of technical support services for shipbuilding industry (Unaudited)	Total (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2009:					
Revenue from external customers	47,239	65,954	6,286	35,263	154,742
Inter-segment sales	-	-	-	-	-
Segment profit/(loss)	17,367	14,018	(4,482)	18,527	45,430
As at 30 June 2009:					
Segment assets	163,389	132,504	7,734	31,891	335,518
Unallocated assets					484,747
Total assets					820,265
Six months ended 30 June 2008:					
Revenue from external customers	31,371	72,718	23,092	41,544	168,725
Inter-segment sales	-	-	-	-	-
Segment profit	5,340	12,707	2,074	15,653	35,774
As at 31 December 2008:					
Segment assets	29,599	147,247	17,191	29,817	223,854
Unallocated assets					463,665
Total assets					687,519

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	RMB'000	RMB'000
Reconciliations of segment profit or loss:		
Total profit of reportable segments	45,430	35,774
Unallocated amounts:		
Other income	18,494	6,553
Other corporate expenses	(32,270)	(23,303)
Share of profit of an associate	12,916	5,183
Consolidated profit before tax	44,570	24,207

5. OTHER INCOME

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	RMB'000	RMB'000
Compensation income	18,000	–
Finance income from finance lease	182	–
Interest income	167	800
Net foreign exchange gains	42	4,796
Sundry income	103	957
	18,494	6,553

6. FINANCE COSTS

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	RMB'000	RMB'000
Effective interest expense on convertible loans	–	1,361
Interest on bank loans	1,623	581
Others	632	226
	2,255	2,168

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the period	–	559
Over provision in prior period	–	(59)
	–	500
Current tax – PRC Enterprise Income Tax		
Provision for the period	1,947	3,802
Under provision in prior periods	596	20
	2,543	3,822
Current tax – Overseas		
Provision for the period	–	3
Deferred tax	4,049	(3,628)
	6,592	697

- (i) Hong Kong Profits Tax has been provided at 16.5% (2008: 16.5%) based on of the estimated assessable profit for the period.
- (ii) The PRC Enterprise Income Tax has been provided on the assessable profit of the Group's subsidiaries in the PRC in accordance with the relevant PRC Enterprise income tax laws and regulations.
- (iii) Income tax expense on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	5,692	3,074
Amortisation of prepaid land lease payment	37	37
Directors' emoluments		
– As directors	220	240
– For management	1,409	1,247
– Share-based payments	443	702
	2,072	2,189
Loss on disposal of property, plant and equipment	41	94
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	46,924	39,072
– Retirement benefits scheme contributions	1,376	1,150
– Share-based payments	583	2,228
	48,883	42,450

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	32,399	23,510
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	498,000,000	498,000,000
Effect of dilutive potential ordinary shares arising from share options outstanding	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	498,000,000	498,000,000
	<i>RMB cents</i>	<i>RMB cents</i>
Basic earnings per share	6.5	4.7
Diluted earnings per share	6.5	4.7

10. DIVIDENDS

The directors of the Company do not recommend payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain property, plant and machinery with a carrying amount of RMB114,000 for proceeds of RMB73,000, resulting in a loss on disposal of RMB41,000.

During the period, the Group acquired property, plant and equipment at a total cost of RMB134,925,000 including RMB54,000,000 which has not been paid as at 30 June 2009 and included in accruals and other payables.

12. TRADE AND BILLS 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.

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

	30/6/2009 (Unaudited)	31/12/2008 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	23,012	21,229
31 to 90 days	11,994	49,488
91 to 365 days	1,312	10,085
Over 365 days	2,799	1,514
	39,117	82,316

13. TRADE AND BILLS PAYABLES

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

	30/6/2009 (Unaudited)	31/12/2008 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	17,511	41,586
31 to 90 days	14,746	10,768
91 to 365 days	28,335	9,992
Over 365 days	3,535	5,728
	64,127	68,074

14. SHARE CAPITAL

	Number of shares	Amount	
		<i>HK\$'000</i>	
Authorised:			
Ordinary shares of HK\$0.01 each at 1 January 2008, 31 December 2008 and 30 June 2009	700,000,000	7,000	
	Number of shares	Amount	Equivalent to amount
		<i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 January 2008, 31 December 2008 and 30 June 2009	498,000,000	4,980	5,048

15. SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Scheme") adopted 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.

	Date of grant	Vesting period	Exercise period	Exercise price
				<i>HK\$</i>
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
2008A	12 March 2008	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12 March 2008	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62

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

15. SHARE-BASED PAYMENTS (Continued)

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

	30/6/2009		31/12/2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		HK\$		HK\$
Outstanding at the beginning of the period/year	31,830,000	1.64	11,460,000	1.68
Granted during the period/year	–	–	20,370,000	1.62
Forfeited during the period/year	(3,700,000)	1.63	–	–
Exercised during the period/year	–	–	–	–
Expired during the period/year	–	–	–	–
Outstanding at the end of the period/year	28,130,000	1.64	31,830,000	1.64
Exercisable at the end of the period/year	19,395,000	1.65	5,730,000	1.68

The options outstanding at the end of the period have a weighted average remaining contractual life of 8.3 years (at 31 December 2008: 9.0 years) and the exercise price range from HK\$1.62 – HK\$1.68 (at 31 December 2008: range from HK\$1.62 – HK\$1.68).

The fair values of option granted on 16 March 2007 and 12 March 2008 determined using Black-Scholes pricing model were HK\$2,863,000 and HK\$7,535,000 respectively. The inputs into the model were as follows:

	Share options granted date	
	16 March 2007	12 March 2008
	HK\$	HK\$
Grant date share price	1.65	1.60
Exercise price	1.68	1.62
Expected volatility	26.52% – 29.51%	54.76% – 62.55%
Expected life	1-2 years	1-2 years
Risk free rate	3.912% – 3.928%	1.03% – 1.225%
Expected dividend yield	–	3.75%

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.

16. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Rental expenses paid/payable to a related company, Zhuhai Prospering Offshore Oil Engineering Co., Ltd. ("Zhuhai Prospering")	(a)	1,005	670
Contract revenue received/receivable from a related company, 大連船舶重工海洋工程有限公司 ("Dalian Shipbuilding Offshore Company Limited" ("Dalian Shipbuilding"))	(b)	7,351	6,497

- (a) Zhuhai Jutal has entered into a lease agreement with Zhuhai Prospering to lease a piece of land situated at the equipment manufacture area of Gan Lan Port Economic Zone in Zhuhai with a total floor area of approximately 67,000 square meters. The lease term was three years commencing from 1 March 2008 to 28 February 2011.

Zhuhai Prospering is a wholly-owned subsidiary of Firstachieve Group Limited, which in turn is 100 percent beneficially owned by Madam Wang Wei, spouse of Mr. Wang Lishan, the chairman, an executive director and a substantial shareholder of the Company.

- (b) Dalian Shipbuilding is an associate company of Prospering Investments Limited, a company beneficially wholly-owned by Mr. Wang Lishan, the chairman, an executive director and a substantial shareholder of the Company.

17. SEASONALITY

The Group's revenue from oil and gas industry is subject to seasonal factors and the Group's financial results will be affected by the number and size of projects awarded to the Group through tendering process and the progress of completion of such projects. Therefore, the Group is unable to forecast the trend of seasonality and its impact on the financial results of the Group.

18. CAPITAL COMMITMENTS

At 30 June 2009, the Group had total capital commitments approximately RMB1,594,000, principally for the construction and purchases of property, plant and equipment.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2009 (At 31 December 2008: Nil).

20. EVENTS AFTER THE REPORTING PERIOD

On 14 August 2009, the board of directors approved to grant 15,150,000 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\$0.92. 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
Option granted to directors:		
– On 14 August 2009	1,200,000	14 August 2010 to 13 August 2019
– On 14 August 2009	1,200,000	14 August 2011 to 13 August 2019
	2,400,000	
Option granted to employees:		
– On 14 August 2009	6,375,000	14 August 2010 to 13 August 2019
– On 14 August 2009	6,375,000	14 August 2011 to 13 August 2019
	12,750,000	
	15,150,000	

The Group has already commenced an assessment of the fair value of the options granted on 14 August 2009 and estimated that the financial impact will not be significant on the financial statements in future years.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 18 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Starting from the end of year 2008, the Group has increased its effort in market development, developed new business, broadened customer base and product range, improved its technical ability and quality control of the Group's products, and now the Group has attained certain achievements. In the first half of year 2009, the Group has recorded significant increase in turnover and gross profit for the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business, at the same time the provision of technical support services for shipbuilding industry business and the fabrication of oil and gas facilities and oil and gas processing skid equipment business has also achieved growth in gross profit. However, the civil engineering business has been seriously affected by the financial crisis, and the timing of recovery of the market is now unpredictable. The Group has substantially reduced the establishment and budget of this department, and maintained the core strength and ability of the department at minimum scale.

Turnover

The Group recorded a total turnover of RMB154,742,000 in the first half of year 2009, representing a decrease of RMB13,983,000 or approximately 8.29% compared with RMB168,725,000 in the corresponding period in 2008. The decrease in turnover was mainly attributable to the deterioration of global economic condition that led to decrease in orders received in the civil engineering business, the fabrication of oil and gas facilities and oil and gas processing skid equipment business and the provision of technical support services for shipbuilding industry business. Turnover of the civil engineering business has decreased from RMB23,092,000 in the corresponding period in last year to RMB6,286,000, representing a decrease of RMB16,806,000 or approximately 72.78%. Turnover of the fabrication of oil and gas facilities and oil and gas processing skid equipment business has decreased from RMB72,718,000 in the corresponding period in last year to RMB65,954,000, representing a decrease of RMB6,764,000 or approximately 9.30%. Turnover of the provision of technical support services for shipbuilding industry business has decreased from RMB41,544,000 in the corresponding period in last year to RMB35,263,000, representing a decrease of RMB6,281,000 or approximately 15.12%. Due to new business development and new customers, the turnover of the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has recorded a significant growth compared with the corresponding period in last year, increased from RMB31,371,000 in the corresponding period in last year to RMB47,239,000, representing an increase of RMB15,868,000 or approximately 50.58%.

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2007, 2008 and 2009:

Product/service	For the six months ended 30 June					
	2009		2008		2007	
	RMB'000	Percentage of total turnover	RMB'000	Percentage of total turnover	RMB'000	Percentage of total turnover
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	47,239	30	31,371	18	35,804	26
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	65,954	43	72,718	43	48,707	36
3. Provision of technical supporting services for shipbuilding industry	35,263	23	41,544	25	23,110	17
4. Civil engineering business	6,286	4	23,092	14	29,394	21
Total	154,742	100	168,725	100	137,015	100

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Cost of Sales and Services

The cost of sales and services of the Group for the six months ended 30 June 2009 amounted to RMB109,312,000, representing a decrease of RMB23,639,000 or approximately 17.78% compared with RMB132,951,000 in the corresponding period in last year. Cost of sales and services comprised of direct costs and manufacturing overheads. The Group calculates the cost of sales and services of projects on an order-by-order basis, while the composition of cost differs for each project, therefore the composition of cost of sales and services varies significantly from project to project. The direct costs in the first half of 2009 amount to RMB90,251,000, representing approximately 82.56% of total cost of sales and services, and a decrease of RMB26,038,000 or approximately 22.39% from RMB116,289,000 in the corresponding period in last year. Direct costs mainly composed of material costs, subcontracting charges and labour costs, which amounted to RMB44,246,000, RMB26,937,000 and RMB22,090,000 respectively, representing approximately 38.05%, 23.16% and 19.00% of total direct costs respectively for the first half of year 2008, and amounted to RMB30,536,000, RMB19,853,000 and RMB28,246,000 respectively, representing approximately 33.83%, 22.00% and 31.30% of total direct costs respectively for the first half of year 2009. Material costs and subcontracting charges have significantly decreased, while labour costs have significantly increased compared with corresponding period in last year. Material costs and subcontracting charges have decreased by RMB13,710,000 and RMB7,085,000 or approximately 30.99% and 26.30% compared with corresponding period in last year. Labour costs has increased by RMB6,156,000 or approximately 27.87% compared with corresponding period in last year. The significant decrease in material costs and subcontracting charges is mainly due to changes in cost structure of the orders received and decreased in turnover during the period. The significant increase in labour costs is mainly due to changes in cost structure of the orders received and increase in headcount. Manufacturing overheads has increased to RMB19,060,000 in the first half of 2009 as compared with RMB16,663,000 in corresponding period in last year, representing an increase of RMB2,397,000 or approximately 14.39%. The increase in manufacturing overheads is mainly due to the new business of the Group.

Gross Profit

In the first half of year 2009, the total gross profit of the Group was increased to RMB45,430,000 from as compared with RMB35,774,000 in the corresponding period in last year, representing an increase of RMB9,656,000. The overall gross profit margin was increased to approximately 29.36% compared to 21.20% in the corresponding period in last year. The increase in installation costs and subcontracting charges in Hong Kong and Macau and the absence of new orders have resulted in loss incurred for the civil engineering business. The gross profit margin of the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business, the fabrication of oil and gas facilities and oil and gas processing skid equipment business and the provision of technical support services for shipbuilding industry business has shown different level of increment as compared with the corresponding period in last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Gross Profit (Continued)

The table below set out the analysis of gross profit by product or service for the six months ended 30 June 2007, 2008 and 2009:

Product/service	2009		For the six months ended 30 June						
	Gross profit margin%	Percentage of total gross profit	2008 Gross profit margin%	Percentage of total gross profit	2007 Gross profit margin%	Percentage of total gross profit			
	RMB'000		RMB'000		RMB'000				
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	17,367	37	38	5,340	17	15	4,865	14	16
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	14,018	21	31	12,707	17	36	13,035	27	43
3. Provision of technical supporting services for shipbuilding industry	18,527	53	41	15,653	38	43	7,496	32	24
4. Civil engineering business	(4,482)	(71)	(10)	2,074	9	6	5,186	18	17
Total	45,430		100	35,774		100	30,582		100

Other Income

Other income for the Group was increased from RMB6,553,000 in the corresponding period in last year to RMB18,494,000, which mainly comprised of interest income of RMB167,000, income from finance leases of RMB182,000, compensation income of RMB18,000,000 and sundry income of RMB145,000. The compensation income represents the compensation income received from customer for installation preparation cost and compensation for the period pending the operation of the "Hongli 900" full revolving hoisting vessel before entering into business agreement with the customer.

Administrative Expenses

The administrative expenses of the Group was amounted to RMB27,723,000 for the six months ended 30 June 2009, which mainly comprised of management staff's remuneration of RMB12,345,000, entertainment expenses of RMB2,979,000, travelling expenses of RMB1,303,000, motor vehicle expenses of RMB959,000, insurance expenses of RMB1,098,000, depreciation charges of RMB969,000, operating lease charges of RMB954,000 and allowance for bad and doubtful debts of RMB2,029,000. Total administrative expenses was increased by RMB6,701,000 as compared with RMB21,022,000 in the corresponding period in last year. The increase in administrative expenses mainly due to increase in headcount, salary level and staff welfare for management personnel, and it's active market development strategy.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Finance Costs

In the first half of year 2009, the finance costs of the Group was increased from RMB2,168,000 in the corresponding period in last year to RMB2,255,000, which mainly comprised of bank charges of RMB502,000 and bank loan interest of RMB1,623,000.

Share of Profits of an Associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"). In the first half of year 2009, the net profit after tax of Penglai Jutal was amounted to RMB43,055,000. The Group's share of profits from the associate was amounted to RMB12,916,000 under the equity method of accounting.

Net Profit Attributable to Owners of the Company

The net profit attributable to owners of the Company was amounted to RMB32,399,000 in the first half of year 2009, representing an increase of approximately 37.81% compared with the corresponding period in 2008. The basic earnings per share was RMB0.065.

Liquidity and Financial Resources

As at 30 June 2009, the working funds (cash on hand and bank deposits) of the Group was amounted to RMB39,123,000 (31 December 2008: RMB44,750,000). The current ratio (current asset/current liabilities) of the Group was 1.04 (31 December 2008: 1.47).

As at 30 June 2009, the total banking facilities of the Group was amounted to RMB230,120,000, of which RMB125,541,000 was utilized and RMB104,579,000 was unutilized. Out of the unutilized banking facilities, RMB75,000,000 was available for raising bank loans. As at 30 June 2009, short term bank loans of the Group was amounted to RMB50,000,000.

Capital Structure

As at 30 June 2009, the share capital of the Company comprised of 498,000,000 ordinary shares (31 December 2008: 498,000,000 ordinary shares).

As at 30 June 2009, the net assets of the Group was amounted to RMB598,829,000 (31 December 2008: RMB524,485,000), comprising non-current assets of approximately RMB608,274,000 (31 December 2008: RMB467,086,000), net current assets of approximately RMB8,077,000 (31 December 2008: RMB70,872,000) and non-current liabilities of approximately RMB17,522,000 (31 December 2008: RMB13,473,000).

Significant Investment

In the first half of 2009, Tianjin Jutal Marine Services Limited ("Jutal Marine"), a subsidiary of the Group, has acquired the "Hongli 900", a full revolving hoisting vessel, for total consideration of RMB125,000,000. Hongli 900 was already in use and the related revenue was included in the financial statements for the current period. As at 30 June 2009, the consideration payable to Hefei Hongzhou Shipping Engineering Co., Ltd. for the acquisition of Hongli 900 was amounted to RMB54,000,000, which will be settled mainly through the operating cash flow from Jutal Marine and funds from raising bank loans.

The Group will continue to search for investment opportunities that are similar to the business of the Group to enhance its competitiveness. As at the date of this report, there was no confirmed acquisition ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Assets Pledged by the Group

As at 30 June 2009, except for the bank deposits amounted to RMB7,320,000 that were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance, there were no assets pledged by the Group.

Contingent Liabilities

As at 30 June 2009, the Group did not have any material contingent liabilities.

Employees and Remuneration Policy

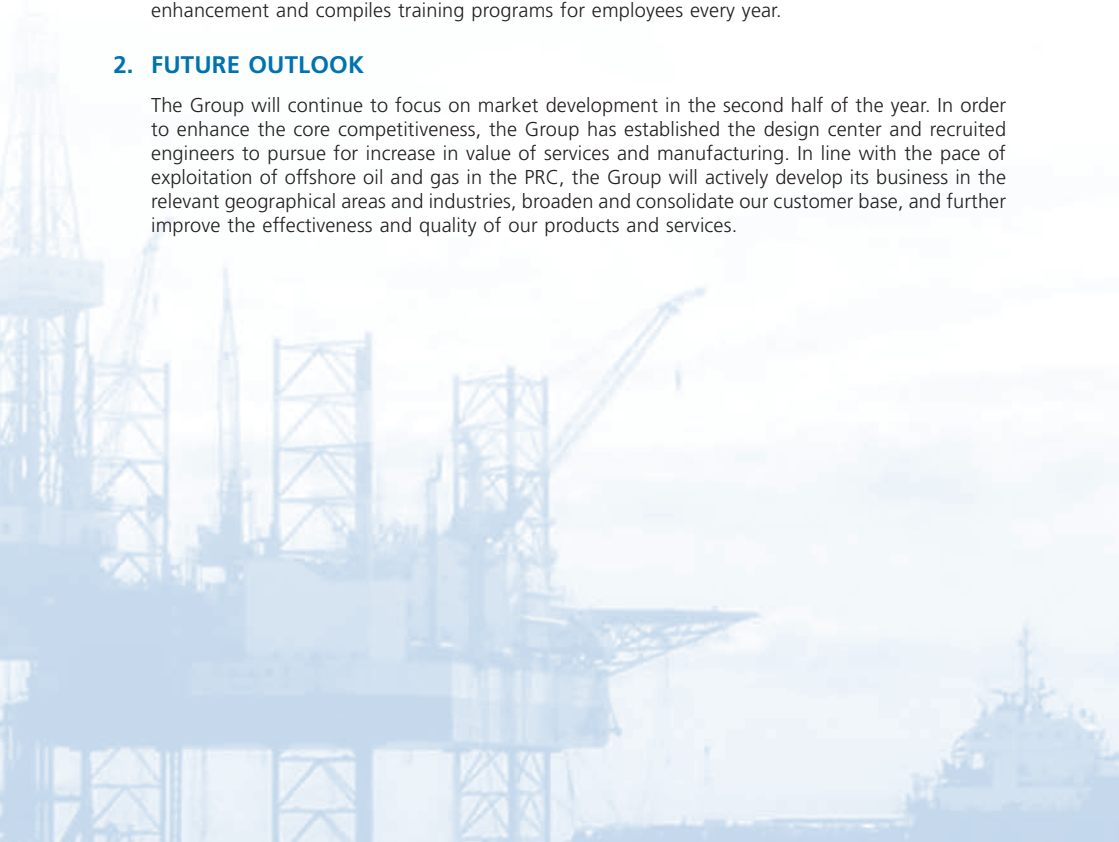
As at 30 June 2009, the Group had total 2,098 employees (31 December 2008: 1,913), of which 325 (31 December 2008: 328) were management and technical staff, and 1,773 (31 December 2008: 1,585) were technicians.

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

The Group pays close attention to staff development, encourages employees to pursue continuous enhancement and compiles training programs for employees every year.

2. FUTURE OUTLOOK

The Group will continue to focus on market development in the second half of the year. In order to enhance the core competitiveness, the Group has established the design center and recruited engineers to pursue for increase in value of services and manufacturing. In line with the pace of exploitation of offshore oil and gas in the PRC, the Group will actively develop its business in the relevant geographical areas and industries, broaden and consolidate our customer base, and further improve the effectiveness and quality of our products and services.



DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2009.

SHARE OPTION

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 of Directors (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 General Scheme Limit of the Share Option Scheme has been refreshed and approved by shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. 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 49,800,000 shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares), unless approval of the shareholders has been obtained. 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 options to Directors and other eligible participants under the Share Option Scheme from 1 January 2007 to 30 June 2009. Details of the options granted under the Share Option Scheme are as follows:

SHARE OPTION (Continued)

(i) Options granted in 2007

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2009	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2009	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
				(HK\$)						
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	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%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	1,000,000	0.20%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	-	1,000,000	0.20%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	6,460,000	-	-	800,000	5,660,000	1.14%
Total					11,460,000	-	-	800,000	10,660,000	2.14%

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2009	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2009	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
				(HK\$)						
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	2,000,000	0.40%
Jiang Dong	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	0.24%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	0.24%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	-	1,200,000	0.24%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	14,770,000	-	-	2,900,000	11,870,000	2.38%
Total					20,370,000	-	-	2,900,000	17,470,000	3.51%

SHARE OPTION (Continued)**(iii) Options granted in 2009**

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options granted	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)					
Jiang Dong	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	—	—	—	0.16%
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	—	—	—	0.16%
Chen Guocai	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	—	—	—	0.16%
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	12,750,000	—	—	—	2.56%
Total					15,150,000	—	—	—	3.04%

Each option granted under the Share Option Scheme during the period gives the holder the right to subscribe for one Share. Although the options granted under the Share Option Scheme during the period 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 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.

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

At 30 June 2009, 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 SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules, were as follows:

(I) THE COMPANY

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	260,212,000 (L) (Note 1)	52.25%
	Share options	4,000,000 (L)	0.8%
Jiang Dong	Interest of a controlled corporation (Note 3)	18,000,000 (L)	3.62%
	Share options	2,200,000 (L)	0.44%
Chen Guocai	Interest of a controlled corporation (Note 4)	10,000,000 (L)	2.01%
	Share options	2,200,000 (L)	0.44%
Cao Yunsheng	Interest of a controlled corporation (Note 5)	12,000,000 (L)	2.41%
	Share options	2,200,000 (L)	0.44%

(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:

- The letter "L" denotes a long position in the Shares.
- The 260,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
- The 18,000,000 shares are held by Right East Investments Limited, which is wholly-owned by Jiang Dong.
- The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
- The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.

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

(Continued)

(II) ASSOCIATED CORPORATION (Continued)

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 30 June 2009. Save and except Wang Lishan, director of Cheung Hing Investments Limited, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested in 5% or more shares or underlying shares which be entered in the register maintained by the Company pursuant to section 336 of the SFO referred to therein:

Name of Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	260,212,000 (L) (Note 1)	52.25%
Martin Currie (Holdings) Limited	Interest of controlled corporation (Note 3)	34,262,000 (L)	6.88%

Notes:

1. The letter "L" denotes a long position in the Shares respectively.
2. The 260,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, director and substantial share holder of the Company.
3. Among the 34,262,000 Shares, 14,846,000 Shares are held by Martin Currie Inc., which is indirectly wholly-owned by Martin Currie (Holdings) Limited, and 19,416,000 Shares are held by Martin Currie Investment Management, which is indirectly wholly-owned by Martin Currie (Holdings) Limited.

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 30 June 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the directors of the Company under the Share Option Scheme, no time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed and approved the unaudited financial reports of the Group for the period ended 30 June 2009 and is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2008 Annual Report and the announcement dated 27 May 2009 of the Company.

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

Hong Kong, 18 September 2009

CORPORATE 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. Cao Yunsheng (*CEO*)
Mr. Chen Guocai

Independent non-executive directors

Mr. Su Yang
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Gao Liangyu

COMPANY REPRESENTATIVE, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Luk Chi Tong

REGISTERED OFFICE

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Grand Cayman,
KY1-1111,
Cayman Islands

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Shenzhen, The PRC 518068
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Fax: (86 755) 2669-4666

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