annual report 09

JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03303)

CONTENTS

CORPORATE INFORMATION

SHARE INFORMATION

Listing place	:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	:	03303
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. Cao Yunsheng *(CEO)*
Mr. Chen Guocai
Mr. Tian Huiwen

Independent non-executive directors

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

AUDIT COMMITTEE

Mr. Su Yang *(Chairman)*
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Gao Liangyu

REMUNERATION COMMITTEE

Mr. Xiang Qiang *(Chairman)*
Mr. Su Yang
Mr. Lan Rong
Mr. Gao Liangyu

NOMINATION COMMITTEE

Mr. Gao Liangyu *(Chairman)*
Mr. Lan Rong
Mr. Su Yang
Mr. Xiang Qiang

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Mr. Luk Chi Tong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, Jardine House,
1 Connaught Place, Hong Kong

HEADQUARTERS IN THE PRC

10th Floor, Chiwan Petroleum Building,
Shekou, Nanshan District,
Shenzhen, The PRC 518068
Tel: (86 755) 2669-4111
Fax: (86 755) 2669-4666

LEGAL ADVISORS

As to Hong Kong law:
Gallant Y.T. Ho & Co.
5th Floor, Jardine House,
1 Connaught Place, Hong Kong

As to PRC law:
Commerce & Finance Law Offices
27C, Shenzhen Te Qu Bao Ye Building,
6008 Shennan Road, Futian District,
Shenzhen, The PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

AUDITOR AND REPORTING ACCOUNTANT

RSM Nelson Wheeler
Certified Public Accountants
29th Floor,
Caroline Centre, Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Butterfield Fund Services (Cayman) Limited
68 Fort Street, P.O. Box 705,
George Town, Grand Cayman,
Cayman Islands, British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

Investor Relations
Jutal Offshore Oil Services Limited
10th Floor, Chiwan Petroleum Building,
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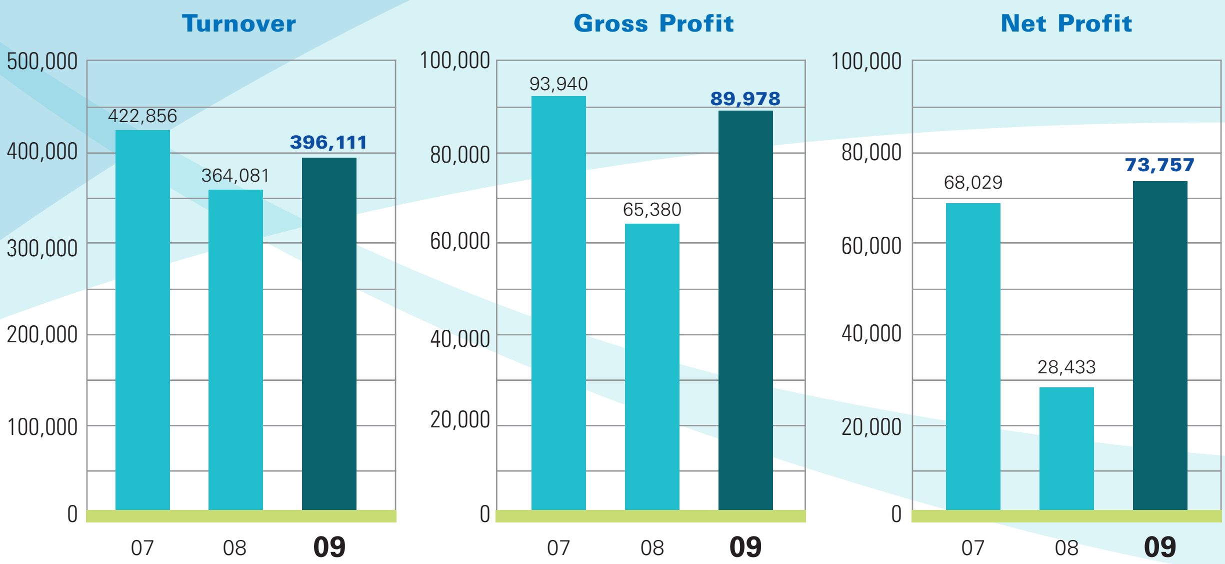
FINANCIAL HIGHLIGHTS

1. RESULTS *(RMB'000)*



2. BASIC EARNINGS PER SHARE

Net profit attributable to the owners of the Company was RMB66,706,000 for the year and the basic earnings per share was RMB0.1339.

3. DIVIDEND

The directors do not recommend the payment of final dividend for the year ended 31 December 2009.

CHAIRMAN'S STATEMENT

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 2009 to the shareholders.

Wang Lishan

Chairman

BUSINESS REVIEW

Financial crisis brought pain, but it also urged the Group to have a comprehensive review on its internal affairs and external threats, to innovate and create new concepts, to learn and have swift response to the changes. In last year, the Group has clear strategy for development, focused on enhancing core competitiveness and market development, further developed the Group's technical capability, explored and developed new businesses, improved the Group's manufacturing ability and quality, and changed the operation methodology to enhance the competitiveness of the Group. In year 2009, the Group has enhanced cost control and efforts in management, the adoption of sophisticated cost management, especially in subcontracting, labour and materials procurement, etc., has achieved positive results.

The Group has maintained minimal core competence in the civil engineering business and focus on oil and gas business and shipbuilding business, providing customers our first-class oil, gas and water treatment equipment, professional technical services and solutions on our complementary products.

ESTABLISHMENT OF DESIGN CENTRE

As an important strategic move of the Group and the development of core competitiveness, our design centre was preliminarily completed during the year, team of specialists in machinery, pipelines, technical and electronics etc. are in place, which provides foundation to obtain and execute sizable projects, as well as provides support to our business sections.

PROVISION OF TECHNICAL SUPPORTING AND RELATED SERVICES FOR OIL AND GAS INDUSTRY AND SALES OF EQUIPMENT AND MATERIALS

The provision of technical support and related services for oil and gas industry business and sales of equipment and materials has obtained fruitful results and has achieved our predetermined target in year 2009. The Group has integrated the Southern and Northern customer service bases, utilised our markets, resources and information superiority in Northern and Southern markets, achieved resources sharing and obtained advantages in market. Following the continuous exploration of market, more work on services and more type of services has been required, while it also promoted the Group's ability in design and related services. During the year, the Group has completed several repair works on platforms, pipelines and machinery unit alteration projects. With our high-quality services, we have consolidated our existing customer base, and have conducted positive and effective work on market development in exploration of non-traditional business areas.

Our subsidiary, Tianjin Jutal Marine Services Limited ("Jutal Marine"), has completed the acquisition of "Hongli 900" fully Revolving Derrick Barge, mainly engaged in offshore engineering lifting and related services. In year 2009, Jutal Marine's business was stable and has constant income.

FABRICATION OF OIL AND GAS FACILITIES AND OIL AND GAS PROCESSING SKID EQUIPMENT

Our fabrication base in Zhuhai has completed several system audits and certifications. New equipments have been added and manufacturing facilities have been improved. All development ensure the improvement of product fabrication quality and efficiency. We have also achieved substantial progress in acquiring core technical knowledge, and have started personnel training.

Over the past year, the Group was committed to further enhance our project management standard and quality control management, has successfully implemented major projects, improved the level of project management team, improved the processing and design capability, and improved the professional structure of personnel.

PROVISION OF TECHNICAL SUPPORT SERVICES FOR SHIPBUILDING INDUSTRY

At the same time of consolidating our presence in Dalian shipbuilding market, as a forward-looking move, the Group has actively explored other shipbuilding and marine engineering services market and customers. Through the operation of several projects, we have developed the team to meet the new market and customer requirements, the operation and project management ability of the team was well recognized by customer.

In response to market changes, part of the special coating services personnel have been changed to ordinary coating services and formed an ordinary coating services team, focused on the operational and technical abilities, created our own brand, maintain the core competencies in coating services. Through launching of new projects, our electrical commissioning services have developed to other shipyards and marine engineering projects. The capability of commissioning personnel have been improved, equipped with the ability of commissioning of jack-up drilling platform and the capabilities in commissioning of marine electrical products, and established a system for commissioning procedure. Structural construction business has improved technical standard and increased scale of operation, consolidated the market through enhancing the standard of project management, and target to develop comprehensive manufacturing business. Fabrication design capability has been strengthened during the year, and has played a leading role and support the business.

INVESTMENT IN AN ASSOCIATE

Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") has withstood the financial crisis. Penglai Jutal has not only solidified its past achievements in year 2009, but also grasped the chance to make a breakthrough in developing new market and exploring new customers, achieving fairly substantial growth. Moreover, approximately 60% of Penglai Jutal's output value came from overseas customers, and has achieved its target move to international market ahead of time.

PROSPECTS

The Group will continue to focus on constant development base on our core competitiveness, and strive to have first-class manufacturing core competencies, professional services capability and complementary product design, manufacturing capabilities, providing professional and total solutions in the offshore oil and gas services and shipbuilding services.

Realisation of corporate strategy requires upgrade of management concepts and mindset. From long term and high level strategic point of view, the Group is more concern of medium to long term strategic investment return. The Group pays every effort in research and innovation, sales and marketing development, and personnel training. The Group has set up a strategic planning department to promote the implementation of strategic management, seek for business innovation and research, develop and explore target market.

Through external cooperation, technology introduction, innovation, the Group achieved enhancement in research and development capabilities. We will continue to foster our research and development team, consider research and development capabilities as an important part of our core competitiveness. In the coming year we will promote the progress of technology and research and development activities in accordance with our planning objectives.

In order to consolidate traditional markets, and promote our business to new areas, the Group will integrate the resources, engage additional personnel to carry out full-scale marketing and proactive marketing, consider the needs of customers, explore and develop new customers, focus on development of depth of existing business, trace key potential projects. Through the integration of sales information, analysis of sales strategy, strengthening of sales force and harmonization and integration of resources, we will actively create innovative solutions to satisfy our customers.

The Group will continue to pursue sophisticated cost management, further lower our costs and improve labour efficiency.

We will firmly implement the Group's development strategy based on the long-term development plan of the Group. On behalf of the Board, I would like to express my heartfelt gratitude to all shareholders, enthusiastic and outstanding management and staff, and all parties who offered firm support to the Group.

By Order of the Board
Wang Lishan
Chairman

Hong Kong, 12 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

The Group recorded a total turnover of RMB396,111,000 for the year ended 31 December 2009, represents an increase of RMB32,024,000 or approximately 8.80% compared with year 2008. Benefited from new business development and new customers, turnover from provision of technical support and related services for oil and gas industry and sales of equipment and materials business increased from RMB73,946,000 in year 2008 to RMB108,235,000 in year 2009, represents an increase of RMB34,289,000 or approximately 46.37%. Turnover from fabrication of oil and gas facilities and oil and gas processing skid equipment business increased from RMB159,485,000 in year 2008 to RMB218,324,000 in year 2009, represents an increase of RMB58,839,000 or approximately 36.89% due to contribution from new customers and business. Provision of technical support services for shipbuilding industry business was affected by the financial crisis, turnover was decreased from RMB78,545,000 in year 2008 to RMB60,404,000 in year 2009, represents a decrease of RMB18,141,000 or approximately 23.10%. Civil engineering business was affected by deterioration of global economy and adjustment of the Group's overall development strategy, turnover was decreased from RMB52,111,000 in year 2008 to RMB9,148,000 in year 2009, represents a decrease of RMB42,963,000 or approximately 82.45%.

The following shows the breakdown of turnover by business segment during the past three years:

	For the financial year ended 31 December					
	2009		2008		2007	
Products/Services	**RMB'000**	**Percentage to total turnover (%)**	RMB'000	Percentage to total turnover (%)	RMB'000	Percentage to total turnover (%)
1. Provision of technical support and related services for oil and gas industry and sales of equipment and materials	108,235	28	73,946	20	84,024	20
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	218,324	55	159,485	44	208,509	49
3. Provision of technical support services for shipbuilding industry	60,404	15	78,545	22	61,786	15
4. Civil engineering business	9,148	2	52,111	14	68,537	16
Total	396,111	100	364,087	100	422,856	100

Cost of sales and service

Cost of sales and service of the Group for year 2009 amounted to RMB306,133,000, represents an increase of 2.49% compared with RMB298,707,000 for year 2008. Cost of sales and service comprised of direct costs and manufacturing overheads. Direct cost for the year amounted to RMB262,326,000, represents approximately 85.69% of total cost of sales and service, while in year 2008 direct costs amounted to RMB264,856,000, represents approximately 88.67% of cost of sales and service. Direct costs mainly composed of material costs, subcontracting charges and labour costs, which amounted to RMB77,295,000, RMB95,746,000 and RMB56,718,000, represents approximately 29.47%, 36.50% and 21.62% of total direct costs respectively for year 2009, and those three category of direct costs represented approximately 29.02%, 36.01% and 17.71% of total direct costs respectively for year 2008. The Group calculates the cost of sales and service of projects on order-by-order basis, while composition of cost differs for each project, therefore the composition of cost of sales and service varies significantly from project to project. Manufacturing overheads amounted to RMB43,807,000 for year 2009, represents an increase of 29.41% compared with RMB33,851,000 for year 2008, mainly due to the commencement of business of Jutal Marine which lead to increase in manufacturing overheads.

Gross profit

In year 2009, the total gross profit of the Group amounted to RMB89,978,000, representing an increase of 37.62% compared with RMB65,380,000 in year 2008. The overall gross margin was increased from 17.96% in year 2008 to 22.72% in year 2009. Gross margin of provision of technical support and related services for oil and gas industry and sales of equipment and materials business has been increased by 18% due to new business development and new customers, gross margin of fabrication of oil and gas facilities and oil and gas processing skid equipment business has been increased by 3%; gross margin of provision of technical support services for shipbuilding industry has decreased by 6% mainly due to changes in composition of the business and decrease in total revenue in this business.

The following shows the breakdown of gross profit/(loss) by business segment during the past three years:

	For the financial year ended 31 December								
	2009			2008			2007		
Products/Services	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 support and related services for oil and gas industry and sales of equipment and materials	36,075	33	40	11,102	15	17	15,966	19	17
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	38,661	18	43	23,517	15	36	46,203	22	49
3. Provision of technical support services for shipbuilding industry	20,147	33	22	30,269	39	46	27,679	45	30
4. Civil engineering business	(4,905)	(54)	(5)	492	1	1	4,092	6	4
Total	89,978		100	65,380		100	93,940		100

Other income

Other income in year 2009 has increased by 59.61% to RMB19,281,000 compared with year 2008. Other income mainly comprised of compensation income of RMB18,000,000, interest income of RMB281,000, finance income from finance leases of RMB364,000, reversal of impairment losses on receivables of RMB359,000, and miscellaneous income of RMB277,000. 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

Administrative expenses of the Group mainly comprised of staff costs, entertainment, travelling, depreciation, rental expenses, audit fee, allowance for receivables, listing expenses and other operational expenses. Total administrative expenses for year 2009 has increased by RMB2,437,000 or 4.30% to RMB59,076,000 compared with year 2008. The increase in administrative expenses in year 2009 mainly due to: staff salaries and welfare increased by RMB5,237,000 (including insurance paid for staff and share-based payment expenses for share options granted to management), increased by 19.23% compared with last year; allowance for receivables decreased by RMB5,086,000, or 91.94% compared with last year. Staff salaries and welfare significantly increased mainly due to increase in headcount and salary level of management personnel. Allowance for receivables significantly decreased mainly due to the effect of global financial crisis in last year, allowance was made in last year in respect to certain international customers due to deterioration of their financial condition.

Finance costs

Finance costs for the year was decreased by 8.70% to RMB4,554,000 compared with year 2008. Finance costs mainly comprised of bank loan interest of RMB3,561,000 and bank charges and other finance costs of RMB993,000.

Share of the profits of an associate

The Group holds 30% of equity interest in Penglai Jutal. In year 2009, net profit after tax of Penglai Jutal amounted to RMB137,483,000. The Group's share of the associate amounted to RMB41,245,000 under equity method of accounting.

Net profit attributable to the owners of the Company and earnings per share

Net profit attributable to owners of the Company amount to RMB66,706,000 for year 2009, increased by 125.78% compared with year 2008. Basic earnings per share is RMB0.1339.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB38,326,000 (2008: RMB44,750,000). Net cash generated from operating activities amounted to RMB80,229,000, net cash used in investing activities amounted to RMB102,679,000 and net cash generated from financing activities amounted to RMB16,044,000 for the year.

As at 31 December 2009, the total banking facilities of the Group amounted to RMB229,775,000, of which RMB116,335,000 was utilised and RMB113,440,000 was unutilised. Out of the unutilised banking facilities, RMB40,000,000 was available for raising bank loans. As at 31 December 2009, bank loans of the Group was amounted to RMB69,370,000.

3. CAPITAL STRUCTURE

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

As at 31 December 2009, the net assets of the Group amounted to approximately RMB636,501,000 (2008: RMB524,485,000), comprising non-current assets of approximately RMB632,405,000 (2008: RMB467,086,000), net current assets of approximately RMB37,265,000 (2008: RMB70,872,000), and non-current liabilities of approximately RMB33,169,000 (2008: RMB13,473,000).

4. SIGNIFICANT INVESTMENTS AND ACQUISITIONS

In the first half of year 2009, Jutal Marine, a subsidiary of the Group, has completed the acquisition of the "Hongli 900", a full revolving hoisting vessel, for total considerations of RMB125,000,000. Hongli 900 was already in use and the related leasing income was included in the financial statements for the current year.

5. RISK OF FOREIGN EXCHANGE

The principal place of production and operation of the Group is in Mainland China, while the Group also operates its business overseas and possesses assets which are denominated in USD and HKD. Fluctuation of functional currency of the Group in RMB against USD and HKD would therefore bring certain foreign exchange risk to the Group. The Group would minimise the amount of overseas assets which are denominated in USD and HKD, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts. The Group did not enter into any high risk derivatives trading and leveraged foreign exchange contracts during the year.

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2009, except for bank deposits amounted to RMB5,577,000 that were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance, and "Hongli 900" with carrying amount of RMB117,014,000 was pledged to bank for bank loans, there were no other assets pledged by the Group.

7. CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities.

8. CAPITAL MANAGEMENT

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

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

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

The gearing ratios at 31 December 2009 and at 31 December 2008 were as follows:

	2009 **RMB'000**	2008 RMB'000
Bank borrowings	69,370	53,326
Total equity	636,501	524,485
Gearing ratio	10.90%	10.17%

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had total 1,889 employees (2008: 1,843), of which 346 (2008: 328) were management and technical staff, and 1,543 (2008: 1,515) 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 fund including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC pursuant to relevant legislation, 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr.Wang Lishan (王立山), aged 51, is an executive director and the chairman of the Company, who is responsible for the overall development strategic planning. 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 rich experience of management and administration in the oil and 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 in November 2005.

Mr. Cao Yunsheng (曹雲生), aged 47, is an executive director and CEO of the Company, who is responsible for the overall operations 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, 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 in November 2005.

Mr. Chen Guocai (陳國才), aged 48, is an executive director and president of the Company, who is responsible for market developing and external cooperation 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 transferred to CNOOC International as vice president in 2004. Mr. Chen joined the Group in February 2007 and was appointed as an executive Director in the Directors' meeting held in 19 April 2007. He has about 27 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. Tian Huiwen (田會文), aged 66, is an executive director 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 and company strategy. 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. Mr. Tian was appointed an executive Director in October 2009.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Director

Mr. Su Yang (蘇洋), aged 42, 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 a wealth 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. Mr. Su was appointed as an independent non-executive Director in August 2006.

Mr. Lan Rong (蘭榮), aged 50, is an independent non-executive director of the Company. He was graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1983 with a bachelor degree in investment finance and obtained a master degree in money and banking from Xiamen University (廈門大學) in 1997. He also obtained his EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in 2007. Mr. Lan has rich experience in finance, banking and investments. He had worked in Fujian Industrial Bank (福建興業銀行) as senior management and now is the Chairman of Industrial Securities Co., Ltd. (興業證券股份有限公司). Mr. Lan was appointed as an independent non-executive director in May 2008.

Mr. Xiang Qiang (項強), aged 46, is an independent non-executive director of the Company. Mr. Xiang graduated from Beijing Tsinghua University (清華大學) with a bachelor's degree in architectural structural engineering in 1986, and obtained his MBA degree from Xiamen University (廈門大學) in 2000, EMBA degree from Cheung Kong Graduate School of Business (長江商學院). Mr. Xiang has more than twenty years experience in design, management, government and real estate company management. He had been the general manager and Chairman of Xiamen Yuandang New City Development Company (廈門市員當新市區開發建設公司), and is currently the general manager of Xiamen Housing Construction Group Co., Ltd. (廈門住宅建設集團有限公司). In addition, he had been the Chairman of Xiamen Marco Polo Oriental Hotel (廈門馬可波羅東方大酒店), the Vice President of Xiamen Golden Dragon joint Automotive Industry Co., Ltd. (廈門金龍聯合汽車工業有限公司), the director of Fujian Industrial Securities Co. Ltd. (福建興業證券股份有限公司), the Vice President of the Xiamen Association of Realtors (廈門房地產協會), the Vice President of Xiamen enterprises and entrepreneurs Federation (廈門企業與企業家聯合會) and the part-time professor of the business school of Xiamen University (廈門大學工商管理學院). Mr. Xiang was appointed as an independent non-executive director in May 2008.

Mr. Gao Laingyu (高良玉), aged 45, is an independent non-executive director of the Company. He obtained his master degree of economics and his bachelor degree at Graduate Department of People's Bank of China (中國人民銀行研究生部) in 1991 and Nanjing Agriculture University (南京農業大學) in 1986 respectively and is an economist. Mr. Gao started his career in 1986 and the positions held by him include officer of the audits department of Nanjing Agriculture University, section chief of Finance Management Department of the People's Bank of China, the deputy division chief of Public Offering Supervision Department of the Chinese Securities Regulatory Commission (中國證券監督管理委員會). At present he serves as the director and chief executive officer in the China Southern fund Management Limited(南方基金管理有限公司). Mr. Gao was appointed as an independent non-executive director in May 2009.

AUTHORISED REPRESENTATIVE AND COMPANY SECRETARY

Mr. Luk Chi Tong (陸志棠), aged 38, joined the Company in January 2007. Mr. Luk currently acts as the company secretary 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. Li Jing (李靖), aged 42, is the vice president of the Company. He was graduated from Sun Yat-Sen Universiy (中山大學) with a bachelor degree in enterprise management. Mr. Li joined the Group in 1999, and had served as operation manager and the manager of New Star System Formwork Co., Limited (鑫星系統模板有限公司). Mr. Li also served as the deputy manager of Penglai Jutal Offshore Engineering heavy Industry Co., Ltd. (蓬萊巨濤海洋工程重工有限公司) from the year 2004 to 2009. Prior to joining the Group, Mr. Li had worked in CNOOC platform manufacture factory (中海油平台製造公司), 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. Zhao Wuhui (趙武會), aged 36, is the deputy financial controller of the Company, responsible for the finance and accounting management. Mr. Zhao graduated from Northeast Forest 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 Kerry Oils & Grains (China) Co., Ltd. (嘉裡糧油(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. Sun Jili (孫繼禮), aged 43, is the executive assistant of the Company and is in charge of the large projects business 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. Prior to joining the Group, Mr. Sun had worked in Bohai Shipping (遼寧渤海造船廠).

Mr. He Shigang (何仕剛), aged 39, is the executive assistant of the Company and in charge of the overall offshore services 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, and the manager of the R&D department and manager of the operation department of Jutal Oilfield Services (Tianjin) Co., Ltd. ("Tianjin Jutal") (巨濤油田服務(天津)有限公司), a wholly-owned subsidiary of the Company, Mr. He became the manager of Tianjin Jutal 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 Chunyi (李純毅), aged 58, is the executive assistant of the Company and in charge of the sales and market of the Bohai region. He joined the Group in 1999 and had served as the administration manager and the deputy manager of Tianjin Jutal. Prior to joining the Group, Mr. Li was a government official.

Mr. Guo Yong (郭勇), aged 48，is the executive assistant of the Company and the manager of the commerce & market department and the R & D department. He is responsible for the Group's commercial and marketing business and technology research and development. Mr. Guo graduated from the Nanjing Institute of Chemical Technology(南京化工學院) with a bachelor degree in Chemical Machinery in 1983, and obtained his master's degree in engineering from Huazhong University of Science and Technology (華中工學院) in 1985. Prior to joining the Group, Mr. Guo had served as senior engineer and manager in Beijing Petrochemical Engineering Company(北京石化工程公司), Technip Engineering Consulting (Shanghai) Co., Ltd., and Nanjing Yingke. Mr. Guo joined the Group in 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liang Hai (梁海), aged 41, is the executive assistant of the Company and the deputy manager of Penglai Jutal Offshore Engineering heavy Industry Co., Ltd. (蓬萊巨濤海洋工程重工有限公司). He was graduated from Tianjin University (天津大學) in 1991 with a bachelor's degree in offshore engineering. He has rich 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 the marketing and commercial manager. 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. Lin Feng (林峰), aged 41, is the manager of the design department of the Group. 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 18 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. Li Xiaoming (李曉明), aged 46, is the manager of the process equipment department of the Group. He obtained a bachelor degree in engineering from Xi'an Jiaotong University (西安交通大學) . Mr. Li joined 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 Shenzhen Chiwan Sambawang Engineering Co. Ltd. (深圳赤灣勝寶旺工程有限公司) as engineer and project manager.

Mr. Yang Bo (楊波), aged 38, is the manager of Jutal Marine Shipbuilding Engineering Services (Dalian) Co., Ltd. ("Dalian Jutal")(巨濤海洋船舶工程服務(大連)有限公司), a wholly-owned subsidiary of the Company, and is in charge of its overall operation. He was graduated from East China Shipbuilding Institute (華東船舶工業學院) with bachelor's degree in marine engineering in 1994. Mr. Yang joined the Group in May 2002 and had served as deputy manager and general manager of the Dalian subsidiary. Prior to joining the Group, he was the head of research office of Dalian Shipyard(大連造船廠).

Mr. Xu Zhe (徐喆), aged 34, is the manager of the strategy planning department of the Company. 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 positions in the Group including the project manger, deputy commercial manager of the offshore engineering business department, and procurement manager.

DIRECTORS' REPORT

The directors of the Company (the "Directors") present the annual report and the audited financial statements of the Group for the year ended 31 December 2009.

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 and 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 financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, 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 RMB12,599,000 were available for distribution to the shareholders of the Company (the "Shareholders").

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 2009 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 34 and 35 respectively.

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2009 to the Shareholders.

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

Details of the movements during the year in share capital of the Company are set out in note 31 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 2009 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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). 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 31 December 2009. Details of the options granted under the Share Option Scheme are as follows:

(i) Options granted in 2007

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 2009	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 2009	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%
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%
Tian Huiwen	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	350,000	–	–	–	350,000	0.07%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	6,110,000	–	–	800,000	5,310,000	1.07%
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 (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2009	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 2009	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
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%
Tian Huiwen	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	350,000	–	–	–	350,000	0.07%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	14,420,000	–	–	3,400,000	11,020,000	2.21%
Total					20,370,000	–	–	3,400,000	16,970,000	3.41%

(iii) Options granted in 2009

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 2009	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 2009	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Jiang Dong	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	–	–	–	800,000	0.16%
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	–	–	–	800,000	0.16%
Chen Guocai	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	–	–	–	800,000	0.16%
Tian Huiwen	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	300,000	–	–	–	300,000	0.06%
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	12,450,000	–	–	2,000,000	10,450,000	2.10%
Total					15,150,000	–	–	2,000,000	13,150,000	2.64%

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.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

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

	Date of appointment	Date of resignation
Executive Directors		
Mr. Wang Lishan	24 November 2005	–
Mr. Jiang Dong	26 August 2006	27 October 2009
Mr. Cao Yunsheng	24 November 2005	–
Mr. Chen Guocai	18 April 2007	–
Mr. Tian Huiwen	27 October 2009	–
Independent Non-executive Directors		
Mr. Su Yang	26 August 2006	–
Mr. Wang Yu	26 August 2006	27 May 2009
Mr. Xiang Qiang	30 May 2008	–
Mr. Lan Rong	30 May 2008	–
Mr. Gao Liangyu	27 May 2009	–

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.

Apart from the foregoing, none of the Directors of the Company has entered into any service agreements with any member of the Group which is not 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 and 38 to the consolidated financial statements, 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/EMPLOYEES

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

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

As at 31 December 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 Securities and Futures Ordinance ("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)*	272,212,000 (L) *(Note 1)*	54.66%
	Share options	4,000,000 (L)	0.80%
Chen Guocai	Interest of a controlled corporation *(Note 3)*	10,000,000 (L)	2.01%
	Share options	3,000,000 (L)	0.60%
Cao Yunsheng	Interest of a controlled corporation *(Note 4)*	12,000,000 (L)	2.41%
	Share options	3,000,000 (L)	0.60%
Tian Huiwen	Share options	1,000,000 (L)	0.20%

(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 *(Note 5)*	Beneficial owner	1 (L)	100%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The 272,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
3. The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
4. The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.
5. Cheung Hing Investments Limited in turn owns 1 ordinary share of Prospering Investments Limited (representing 100% shareholding in Prospering Investments Limited), and 1 ordinary share of Gold Designs International Limited (representing 100% shareholding in Gold Designs International Limited).

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 2009. 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 31 December 2009, the following persons has had 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)*	272,212,000 (L) *(Note 1)*	54.66%
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 272,212,000 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 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 31 December 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 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 58.79% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 18.42% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 25.71% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 9.74% of the Group's total purchases.

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 TRANSACTIONS

On 1 March 2008, Zhuhai Jutal Offshore Oil Services Limited ("Zhuhai Jutal"), a indirectly wholly-owned subsidiary of the Company, entered into a lease agreement with Zhuhai Prospering Offshore Oil Engineering Limited ("Zhuhai Prospering"). Pursuant to the lease agreement, Zhuhai Prospering agreed to lease a piece of land situate at the equipment manufacture area of Gao Lan port Economic Zone in Zhuhai with a total floor area of approximately 67,000.00 sq.m at RMB30 per sq.m per annum for three years. Since 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 Wang Lisahan, the chairman of the Company. The lease constitutes a continuing connected transaction for the Company under the Listing Rules. According to the rules 14A.37 of the Listing Rules, the board had approved and the independent non-executive directors had reviewed the lease agreement was:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

The board had received the letter from the Company's auditor according to the rules 14A.38 of the Listing Rules, confirmed that:

(1) the lease agreement had been approved by the board;

(2) the transaction had been entered into in accordance with the relevant agreement governing the transactions; and

(3) the transaction had not exceeded the cap disclosed in previous announcement.

Details of the connected transactions of the year are disclosed in note 38 to the 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

12 April 2010

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. Cao Yunsheng
Mr. Chen Guocai
Mr. Tian Huiwen

Independent Non-executive Directors

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

Mr. Wang Lishan and Mr. Cao Yunsheng are the chairman and the CEO of the Company respectively and the roles of chairman and the CEO 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.

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

		Attendance of meetings
Executive Directors		
Mr. Wang Lishan		7
Mr. Jiang Dong	(resigned on 27 October 2009)	5
Mr. Chen Guocai		7
Mr. Cao Yunsheng		5
Mr. Tian Huiwen	(appointed on 27 October 2009)	0
Independent non-executive directors		
Mr. Su Yang		4
Mr. Wang Yu	(resigned on 27 May 2009)	2
Mr. Xiang Qiang		4
Mr. Lan Rong		4
Mr. Gao Liangyu	(appointed on 27 May 2009)	2

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 auditors 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 certain functions to be responsible for the internal control and risk management of the Company. The duties 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 its annual review of the effectiveness of the system of internal control of the Group. In view of the report of the internal and external environment changes of the year and the impact to the business, the Board considered it necessary to further strengthen the company's internal controls and risk management, especially risk prediction capacity, as well as reporting on emergencies and conduct regular internal audits.

Furthermore, pursuant to the newly amended Code Provisions, the board also reviewed the resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The board considered it is adequate of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmers and budget.

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. Lan Rong, Mr. Gao Liangyu and Mr. Xiang Qiang. 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, renew 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 meetings.

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 statement including the selection of suitable accounting policies. Independent external auditors are responsible for auditing and attesting to Group's financial statement and evaluating the Group's system of internal controls. The audit committee oversees the respective works of the management and the external auditors 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 auditors the Group's financial statement for the year ended 31 December 2009. The audit committee also received reports and met with the independent auditors to discuss 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 auditors, the audit committee recommended for the Board's approval of the consolidated financial statements for the year ended 31 December 2009, 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 2009, 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 year 2010.

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. Lan Rong, Mr. Su Yang, Mr. Gao Liangyu and Mr. Xiang Qiang. Mr. Xiang Qiang 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 2009 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. Gao Liangyu, Mr. Su Yang, Mr. Lan Rong and Mr. Xiang Qiang. Mr. Gao Liangyu 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, two nomination committee meetings were held in the year to:

(1) recommending and nominating Mr. Gao Liangyu as the independent non-executive director to fill vacancy of the Board as a result of the resignation of Mr. Wang Yu, selecting Mr. Gao Liangyu as the chairman of the nomination committee;

(2) recommending and nominating Mr. Tian Huiwen as the executive director to fill vacancy of the Board as a result of the resignation of Mr. Jiang Dong; and

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

All members attended the meetings.

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 2009 are as below:

	HK$'000
Audit service for the annual report	920
Review of the interim report	150

INDEPENDENT AUDITOR'S REPORT

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

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") and it's subsidiaries (collectively referred to as the "Group") set out on pages 34 to 95, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

INDEPENDENT AUDITOR'S REPORT

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 2009 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.

Certified Public Accountants
Hong Kong

12 April 2010

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	6	**396,111**	364,087
Cost of sales and service		**(306,133)**	(298,707)
Gross profit		**89,978**	65,380
Other income	7	**19,281**	12,080
Administrative expenses		**(59,076)**	(56,639)
Other operating expenses		**(4,136)**	(3,266)
Profit from operations		**46,047**	17,555
Finance costs	9	**(4,554)**	(4,988)
Share of profits of an associate	19	**41,245**	16,143
Profit before tax		**82,738**	28,710
Income tax expense	10	**(8,981)**	(277)
Profit for the year	11	**73,757**	28,433
Attributable to:			
Owners of the Company		**66,706**	29,545
Minority interests	30	**7,051**	(1,112)
		73,757	28,433
Earnings per share	14		
		RMB	RMB
Basic		**13.39 CENTS**	5.93 CENTS
Diluted		**13.39 CENTS**	5.93 CENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**73,757**	28,433
Other comprehensive income:			
Exchange differences on translating foreign operations		**(243)**	(15,437)
Other comprehensive income for the year, net of tax		**(243)**	(15,437)
Total comprehensive income for the year		**73,514**	12,996
Attributable to:			
Owners of the Company		**66,463**	14,108
Minority interests	30	**7,051**	(1,112)
		73,514	12,996

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**208,453**	84,395
Prepaid land lease payments	16	**877**	951
Goodwill	17	**197,874**	198,099
Investment in an associate	19	**221,107**	179,862
Finance lease receivables	23	**2,609**	3,779
Deferred tax assets	29	**1,485**	–
		632,405	467,086
Current assets			
Inventories	20	**5,034**	7,898
Trade and bills receivables	21	**93,382**	82,316
Gross amount due from customers for contract work	22	**91,268**	57,668
Prepayments, deposits and other receivables		**24,668**	20,006
Finance lease receivables	23	**1,170**	1,089
Due from directors	24	**654**	1,781
Due from an associate	19	**9**	76
Current tax assets		**1,909**	1,480
Pledged bank deposits	25	**5,577**	4,056
Bank and cash balances	25	**37,052**	44,063
		260,723	220,433
Current liabilities			
Trade and bills payables	26	**89,497**	68,074
Gross amount due to customers for contract work	22	**13,815**	1,106
Accruals and other payables		**64,162**	24,742
Due to a related company	27	**1,791**	1,048
Bank loans	28	**52,520**	53,326
Current tax liabilities		**1,673**	1,265
		223,458	149,561
Net current assets		**37,265**	70,872
Total assets less current liabilities		**669,670**	537,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank loans	28	**16,850**	–
Deferred tax liabilities	29	**16,319**	13,473
		33,169	13,473
NET ASSETS		**636,501**	524,485
Capital and reserves			
Share capital	31	**5,048**	5,048
Reserves	34	**589,514**	520,549
Equity attributable to owners of the Company		**594,562**	525,597
Minority Interests	30	**41,939**	(1,112)
TOTAL EQUITY		**636,501**	524,485

Approved by the Board of Directors on 12 April 2010.

Wang Lishan
Chairman

Cao Yunsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2009

	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**
	(Note 31)	(Note 34(c))	(Note 34(c))	(Note 34(c))	(Note 34(c))	(Note 34(c))	(Note 34(c))				(Note 30)	
	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 year	–	–	–	–	(15,437)	–	–	29,545	–	14,108	(1,112)	12,996
2007 final dividend paid	–	–	–	–	–	–	–	–	(28,087)	(28,087)	–	(28,087)
Recognition of share based payment	–	–	–	–	–	5,049	–	–	–	5,049	–	5,049
Transfer to statutory reserves	–	–	–	–	–	–	4,314	(4,314)	–	–	–	–
Changes in equity for the year	–	–	–	–	(15,437)	5,049	4,314	25,231	(28,087)	(8,930)	(1,112)	(10,042)
At 31 December 2008 and 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 year	–	–	–	–	(243)	–	–	66,706	–	66,463	7,051	73,514
Capital contributions from minority interests	–	–	–	–	–	–	–	–	–	–	36,000	36,000
Recognition of share based payment	–	–	–	–	–	2,502	–	–	–	2,502	–	2,502
Share options forfeited	–	–	–	–	–	(431)	–	431	–	–	–	–
Transfer to statutory reserves	–	–	–	–	–	–	6,327	(6,327)	–	–	–	–
Changes in equity for the year	–	–	–	–	(243)	2,071	6,327	60,810	–	68,965	43,051	112,016
At 31 December 2009	5,048	465,002	(52,040)	2,951	(36,096)	8,601	22,273	178,823	–	594,562	41,939	636,501

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	82,738	28,710
Adjustments for:		
Finance costs	4,554	4,988
Share of profits of an associate	(41,245)	(16,143)
Share based payments	2,502	5,049
Interest income	(281)	(2,342)
Depreciation	15,879	6,259
Amortisation of prepaid land lease payments	74	74
Loss on disposals of property, plant and equipment	112	220
Reversal of impairment losses on receivables	(359)	–
Allowances for receivables	446	5,532
Allowances for inventories	1,532	1,000
Operating profit before working capital changes	65,952	33,347
Decrease/(increase) in inventories	1,332	(3,829)
Increase in trade and bills receivables	(11,108)	(44,989)
(Increase)/decrease in gross amount due from customers for contract work	(33,600)	97,182
(Increase)/decrease in prepayments, deposits and other receivables	(4,707)	12,041
Decrease/(increase) in amounts due from directors	1,127	(1,543)
Decrease in amount due from an associate	67	1,791
Increase in pledged bank deposits	(934)	(764)
Increase/(decrease) in trade and bills payables	21,423	(25,625)
Increase/(decrease) in gross amount due to customers for contract work	12,709	(1,656)
Increase/(decrease) in accruals and other payables	39,420	(61,691)
Increase in amount due to a related company	743	1,048
Cash generated from operations	92,424	5,312
Income taxes paid	(7,641)	(8,862)
Interest paid	(3,561)	(2,323)
Other finance costs	(993)	(744)
Net cash generated from/(used in) operating activities	80,229	(6,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	281	2,342
Purchases of property, plant and equipment	(140,150)	(21,540)
Proceeds from disposals of property, plant and equipment	101	149
Capital contributions from minority interests	36,000	–
Capital injection in an associate	–	(33,576)
Decrease/(increase) in finance lease receivable	1,089	(4,868)
Net cash used in investing activities	(102,679)	(57,493)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	105,000	66,541
Repayment of bank loans	(88,956)	(13,215)
Dividends paid to owners of the Company	–	(28,087)
Cash paid for redemption of the convertible bonds	–	(59,677)
Net cash generated from/(used in) financing activities	16,044	(34,438)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,406)	(98,548)
Effect of foreign exchange rate changes	(18)	(6,427)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	44,750	149,725
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	38,326	44,750
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	37,052	44,063
Pledged bank deposits	1,274	687
	38,326	44,750

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

	2009 RMB'000	2008 RMB'000
Pledged bank deposits (mature in three months or less)	1,274	687
Pledged bank deposits (mature after three months)	4,303	3,369
	5,577	4,056

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2009

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 2009, 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 HONG KONG FINANCIAL REPORTING STANDARDS

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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 year and prior years 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. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

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

(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.

The segment accounting policies under HKFRS 8 are stated in note 8 to the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 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 carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

(b) Business combination and goodwill

The purchase method 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (Continued)

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 consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (w) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(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 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 in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. 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 consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (Continued)

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 carrying amount together with any remaining goodwill relating to the associate 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.

(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 on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– 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 profit or loss 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.

(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 recognised in profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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:

Vessel	10 years
Buildings	20 – 44 years
Plant and machinery	5 – 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 the end of each reporting period.

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 profit or loss.

(f) Leases

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

(i) Operating leases

When assets are leased out under operating leases, the assets are included in the statement of financial position according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3(e) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3(q) below.

(ii) Finance leases

Amounts due from lessee under finance leases are recorded as receivables at the moment of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (Continued)

The Group as lessee

(i) Operating leases

Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) 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.

The corresponding liability to the lessor is included in the statement of financial position 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 end of the reporting period. 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 an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position 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 statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Accruals and other payables".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 profit or loss.

(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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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 statement of cash flows, 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 (CONTINUED)

(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) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) 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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Equity instruments

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

(q) 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.

Rental income arising from assets leased out under operating lease are recognised on a straight-line basis over the lease term.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

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.

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

Revenues from the rendering of technical consultancy services are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 end of the reporting period.

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 profit or loss represents contributions payable by the Group to the funds.

(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.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) 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 recognised in profit or loss 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 end of the reporting period.

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. 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, and interests in joint ventures, 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 (CONTINUED)

(u) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly 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.

(v) 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 (CONTINUED)

(w) Impairment of assets

At the end of each period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, 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.

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 profit or loss, 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 profit or loss, 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.

(x) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Recognition of property, plant and equipment

The Group's property includes industrial buildings and office premises with carrying amount of RMB43,504,000 (the "Property") as at 31 December 2009 erected on 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 "Land"). As stated in note 38(b) to the financial statements, the Land was leased from a related company, Zhuhai Prospering Offshore Oil Engineering Limited ("Zhuhai Prospering") for a period of 3 years from 1 March 2008 to 28 February 2011.

According to the lease agreement, the Group will have preferential right to extend the lease after the lease expires on 28 February 2011. Despite the fact that the Group has not obtained the relevant legal title of the Property, in the opinion of the directors, the Group should recognise the cost of the Property as property, plant and equipment, on the grounds that the Group had obtained a consent letter from Zhuhai Prospering on 27 February 2008 confirming that the Group has effective control over the Property of period of 30 years.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate other than the vessel is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(a) Property, plant and equipment and depreciation (Continued)

The Group estimates useful life of the vessel by reference to the industry practice, expected usage of the vessel, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) 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.

(c) 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.

(d) 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 the end of each reporting period.

(e) 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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Share-based payment expenses

The fair value of the share options granted to the directors, employees and other participants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options granted in the year, the Binomial Option Pricing Model (the "Binomial Model") was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

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 Renminbi ("RMB"), Hong Kong dollars and United States dollars ("US dollar"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2009, if the US dollar had weakened 10 per cent against RMB with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB81,000 (2008: RMB250,000) 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 RMB with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB81,000 (2008: RMB250,000) 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 (CONTINUED)

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances and derivative financial instruments 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.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000
At 31 December 2009				
Bank loans	**54,338**	**17,203**	**–**	**–**
Trade and bills payables	**89,497**	**–**	**–**	**–**
Accruals and other payables	**64,162**	**–**	**–**	**–**
Due to a related company	**1,791**	**–**	**–**	**–**
At 31 December 2008				
Bank loans	54,331	–	–	–
Trade and bills payables	68,074	–	–	–
Accruals and other payables	24,742	–	–	–
Due to a related company	1,048	–	–	–

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. Part of the deposits and borrowings bear interests at variable rates varied with the then prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 December 2009, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been RMB454,000 (2008: RMB189,000) higher, arising mainly as a result of lower interest expense on bank and other borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB454,000 (2008: RMB189,000) lower, arising mainly as a result of higher interest expense on bank and other borrowings.

The Group's other fixed-rate bank borrowings and bank deposits, bear fixed interest rate and therefore are subject to fair value interest rate risks.

(e) Categories of financial instruments at 31 December 2009

	2009 **RMB**	2008 RMB
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**153,730**	145,497
Financial liabilities:		
Financial liabilities at amortised cost	**190,807**	146,760

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. TURNOVER

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

	2009 **RMB'000**	2008 RMB'000
Sales of goods	**24,063**	21,421
Vessel leasing	**25,082**	–
Revenue from construction contracts and other services rendered	**346,966**	342,666
	396,111	364,087

7. OTHER INCOME

	2009 **RMB'000**	2008 RMB'000
Compensation income	**18,000**	2,630
Finance income from finance lease	**364**	439
Gain on finance lease	**–**	1,094
Interest income	**281**	2,342
Net foreign exchange gains	**85**	5,226
Reversal of impairment losses on receivables	**359**	–
Sundry income	**192**	349
	19,281	12,080

8. SEGMENT INFORMATION

The Group has four reportable segments as follows:

(a) Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials.

(b) Fabrication of oil and gas facilities and oil and gas processing skid equipment.

(c) Civil engineering business.

(d) Provision of technical support services for shipbuilding industry.

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8. SEGMENT INFORMATION (CONTINUED)

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 note 3 to the financial statements. Segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs and share of profits of an associate. Segment assets do not include goodwill, investment in an associate, finance lease receivables, deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include amount due to a related company, bank loans, current tax liabilities, deferred tax liabilities and other corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials RMB'000	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000	Civil engineering business RMB'000	Provision of technical support services for shipbuilding industry RMB'000	Total RMB'000
Year ended 31 December 2009					
Revenue from external customers	**108,235**	**218,324**	**9,148**	**60,404**	**396,111**
Segment profit/(loss)	**36,075**	**38,661**	**(4,905)**	**20,147**	**89,978**
Depreciation	**9,878**	**4,709**	**32**	**1,260**	**15,879**
Other material non-cash items:					
Allowance for receivables	**122**	**246**	**10**	**68**	**446**
Additions to segment non-current assets	**127,980**	**11,679**	**10**	**481**	**140,150**
As at 31 December 2009					
Segment assets	**138,437**	**223,615**	**3,378**	**25,216**	**390,646**
Segment liabilities	**13,850**	**121,463**	**818**	**10,767**	**146,898**

8. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities: (continued)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials RMB'000	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000	Civil engineering business RMB'000	Provision of technical support services for shipbuilding industry RMB'000	Total RMB'000
Year ended 31 December 2008					
Revenue from external customers	73,946	159,485	52,111	78,545	364,087
Segment profit/(loss)	11,102	23,517	492	30,269	65,380
Depreciation	1,099	4,281	440	439	6,259
Other material non-cash items:					
Allowance for receivables	200	4,693	551	88	5,532
Additions to segment non-current assets	1,698	13,083	227	6,532	21,540
As at 31 December 2008					
Segment assets	29,599	147,247	17,191	29,817	223,854
Segment liabilities	21,009	45,995	4,820	8,844	80,668

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For the Year ended 31 December 2009

8. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2009 RMB'000	2008 RMB'000
Profit or loss		
Total profit or loss of reportable segments	89,978	65,380
Unallocated amounts:		
Finance cost	(4,554)	(4,988)
Other income	19,281	12,080
Other corporate expenses	(63,212)	(59,905)
Share of profits of an associate	41,245	16,143
Consolidated profit before tax for the year	82,738	28,710
Assets		
Total assets of reportable segments	390,646	223,854
Unallocated amounts:		
Bank and cash balances	37,052	44,063
Deferred tax assets	1,485	–
Finance lease receivables	3,779	4,868
Investment in an associate	221,107	179,862
Goodwill	197,874	198,099
Other corporate assets	35,608	32,717
Pledged bank deposits	5,577	4,056
Consolidated total assets	893,128	687,519
Liabilities		
Total liabilities of reportable segments	146,898	80,668
Unallocated amounts:		
Bank loans	69,370	53,326
Current tax liabilities	1,673	1,265
Deferred tax liabilities	16,319	13,473
Due to a related company	1,791	1,048
Other corporate liabilities	20,576	13,254
Consolidated total liabilities	256,627	163,034

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8. SEGMENT INFORMATION (CONTINUED)

Geographical information:

	Revenue		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong and Macau	**344,001**	264,970	**630,849**	466,972
Hong Kong	**7,138**	31,334	**13**	16
Macau	**3,231**	16,639	**58**	98
Other Asian Countries	**34,033**	25,824	**–**	–
United Kingdom	**–**	10,209	**–**	–
Others	**7,708**	15,111	**–**	–
Consolidated total	**396,111**	364,087	**630,920**	467,086

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2009	2008
	RMB'000	RMB'000
Fabrication of oil and gas facilities and oil and gas processing skid equipment		
Customer A	**37,834**	32,546
B	**33,740**	7,701
C	**44,166**	34,351
Provision of technical support services for shipbuilding industry		
Customer A	**58,099**	65,835
B	**2**	46
C	**1,059**	–
Provision of technical support services for oil and gas industry and sales of equipment and materials		
Customer A	**9,184**	–
B	**38,355**	20,476

9. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Effective interest expense on convertible loans	–	1,921
Interest on bank loans	**3,561**	2,323
Others	**993**	744
	4,554	4,988

10. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Under-provision in prior years	–	14
	–	14
Current tax – PRC Enterprise Income Tax		
Provision for the year	**7,023**	4,549
Under-provision in prior years	**597**	20
	7,620	4,569
Current tax – Overseas		
Provision for the year	–	28
Over-provision in prior years	–	(55)
	–	(27)
Deferred tax (Note 29)	**1,361**	(4,279)
	8,981	277

10. INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong.

(b) PRC Enterprise Income Tax

The new PRC enterprise income tax law (the "new tax law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law was effective since 1 January 2008.

Pursuant to relevant laws and regulations in the PRC, the applicable PRC enterprise income tax rates of the Group's PRC subsidiaries are as follows:

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

Shenzhen Jutal is a wholly-owned foreign enterprise operated in Shenzhen Special Economic Zone.

Under the new tax law and the relevant implementation regulation, the applicable tax rate of Shenzhen Jutal was increased to 18% for the year ended 31 December 2008 and from 20% to 25% progressively from 1 January 2009 onwards. The tax rate applicable to Shenzhen Jutal for the year ended 31 December 2009 is 20%.

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

Dalian Jutal is a sino-foreign equity joint venture operated in Dalian Economic & Technological Development Area and is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise income tax for the following three years. Dalian Jutal was in its second profit-making year for the financial year ended 31 December 2009 and was therefore exempted from PRC enterprise income tax for the financial year ended 31 December 2009.

(iii) The tax rate applicable to other PRC subsidiaries in the Group were 25% during the year.

10. INCOME TAX EXPENSE (CONTINUED)

(c) 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 is as follows:

	2009 **RMB'000**	2008 RMB'000
Profit before tax (excluding share of profits of an associate)	**41,493**	12,567
Tax at the PRC enterprise income tax rate of 20% (2008: 18%)	**8,298**	2,262
Tax effect of income that is not taxable	**(6,798)**	(10,855)
Tax effect of expenses that are not deductible	**8,805**	14,486
Tax effect of tax losses not recognised	**1,272**	2,320
Tax effect of temporary differences not recognised	**(926)**	(72)
Increase in deferred tax liability resulting from change in tax rate enacted	**52**	794
Deferred tax on undistributed earnings of the PRC subsidiaries and an associate	**2,634**	1,634
Under/(over)-provision in prior years	**597**	(21)
Effect of different tax rates of subsidiaries	**(4,953)**	(10,271)
Income tax expense	**8,981**	277

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:

	2009 RMB'000	2008 RMB'000
Depreciation	15,879	6,259
Directors' emoluments (Note 12)	5,025	4,944
Loss on disposal of property, plant and equipment	112	220
Operating lease charges		
– Hire of plant and equipment	367	611
– Land and buildings	8,943	6,429
Auditor's remuneration	1,015	895
Cost of inventories sold	77,295	76,857
Allowance for inventories	1,532	1,000
Allowance for receivables	446	5,532
Staff costs including directors' emoluments		
– Salaries, bonuses and allowances	104,108	88,258
– Retirement benefits scheme contributions	2,870	2,551
– Share-based payments	2,502	5,049
	109,480	95,858

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12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors						
Wang Lishan	–	1,042	–	248	21	1,311
Jiang Dong (Note (a))	–	502	–	177	16	695
Cao Yunsheng	–	952	–	225	21	1,198
Chen Guocai	–	952	–	225	21	1,198
Tian Huiwen (Note (b))	–	131	–	12	–	143
	–	3,579	–	887	79	4,545
Independent non-executive directors						
Su Yang	120	–	–	–	–	120
Wang Yu (Note (c))	50	–	–	–	–	50
Lan Rong (Note (f))	120	–	–	–	–	120
Xiang Qiang (Note (f))	120	–	–	–	–	120
Gao Liangyu (Note (d))	70	–	–	–	–	70
	480	–	–	–	–	480
Total for 2009	480	3,579	–	887	79	5,025
Executive directors						
Wang Lishan	–	982	–	568	21	1,571
Jiang Dong (Note (a))	–	627	–	325	21	973
Cao Yunsheng	–	601	–	325	21	947
Chen Guocai	–	627	–	325	21	973
	–	2,837	–	1,543	84	4,464
Independent non-executive directors						
Su Yang	120	–	–	–	–	120
Mai Boliang (Note (e))	50	–	–	–	–	50
Wang Yu (Note (c))	120	–	–	–	–	120
Xiang Bing (Note (e))	50	–	–	–	–	50
Lan Rong (Note (f))	70	–	–	–	–	70
Xiang Qiang (Note (f))	70	–	–	–	–	70
	480	–	–	–	–	480
Total for 2008	480	2,837	–	1,543	84	4,944

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Notes:

(a) Resigned on 27 October 2009

(b) Appointed on 27 October 2009

(c) Resigned on 27 May 2009

(d) Appointed on 27 May 2009

(e) Resigned on 30 May 2008

(f) Appointed on 30 May 2008

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 3 (2008: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2008: 1) individual is set out below:

	2009 RMB'000	2008 RMB'000
Basic salaries and allowances	2,324	833
Discretionary bonus	–	–
Share-based payments	81	80
Retirement benefit scheme contributions	–	–
	2,405	913

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	–

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

No dividend had been paid or declared by the Company during the year (2008: Nil).

14. EARNINGS PER SHARE

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

	2009 **RMB'000**	2008 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**66,706**	29,545

	2009	2008
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

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

Diluted earnings per share is calculated based on the profit attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme. There are no diluted potential ordinary shares during the two years ended 31 December 2009 and 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Vessel	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2008	–	50,201	19,513	3,823	9,592	1,988	85,117
Additions	–	–	4,838	1,130	2,208	13,364	21,540
Reclassification	–	12,409	29	–	–	(12,438)	–
Disposals	–	–	(607)	(677)	(154)	–	(1,438)
Exchange differences	–	–	(33)	(19)	(1)	–	(53)
At 31 December 2008 and at 1 January 2009	–	62,610	23,740	4,257	11,645	2,914	105,166
Additions	125,364	930	7,680	1,478	1,651	3,047	140,150
Reclassification	–	2,524	424	–	–	(2,948)	–
Disposals	–	–	(181)	(201)	(1,117)	–	(1,499)
At 31 December 2009	125,364	66,064	31,663	5,534	12,179	3,013	243,817
Accumulated depreciation							
At 1 January 2008	–	3,269	5,046	2,481	4,830	–	15,626
Charge for the year	–	1,814	2,102	523	1,820	–	6,259
Disposals	–	–	(372)	(543)	(154)	–	(1,069)
Exchange differences	–	–	(28)	(16)	(1)	–	(45)
At 31 December 2008 and at 1 January 2009	–	5,083	6,748	2,445	6,495	–	20,771
Charge for the year	8,350	2,099	2,799	820	1,811	–	15,879
Disposals	–	–	(93)	(190)	(1,003)	–	(1,286)
At 31 December 2009	8,350	7,182	9,454	3,075	7,303	–	35,364
Carrying amount							
At 31 December 2009	117,014	58,882	22,209	2,459	4,876	3,013	208,453
At 31 December 2008	–	57,527	16,992	1,812	5,150	2,914	84,395

At 31 December 2009 the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to RMB117,014,000 (2008: Nil).

The Group lease out the vessel under operating lease for 2 years. The lease is on a fixed rental basis and do not include contingent rentals.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's total future minimum lease receipts under non-cancellable operating lease as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**37,367**	–
In the second to fifth years inclusive	**12,285**	–
	49,652	–

16. PREPAID LAND LEASE PAYMENTS

	2009 **RMB'000**	2008 RMB'000
At 1 January	**951**	1,025
Additions	**–**	–
Amortisation of prepaid land lease payments	**(74)**	(74)
At 31 December	**877**	951

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

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17. GOODWILL

	RMB'000
Cost and carrying amount	
At 31 December 2008 and 1 January 2009	198,099
Exchange difference	(225)
At 31 December 2009	197,874

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 2009, 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. Budgeted gross margin and turnover are 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 for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The discount rate applied to cash flow projects is 10.33%.

18. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2009 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	2 ordinary shares of HK$1 each	–	100%	Provision of technical supporting and related services for oil and gas industry and sale of equipment and materials and undertaking of civil engineering projects
Jutal Engineering (Macau) Company Limited	Macau	Registered capital of MOP100,000	–	100%	Undertaking of civil engineering projects
Jutal Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	–	100%	Investment holding
Hong Kong Jutal Holdings Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Investment holding
Stand Success Resources Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding

18. SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2009 are as follows: (Continued)

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Indirectly held: (continued)					
巨濤油田服務(天津)有限公司 (Jutal Oil Field Service (Tianjin) Company Limited)	PRC	Registered capital of HK$10,000,000	–	100%	Provision of technical supporting and related services for oil and gas industry 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 gas facilities and oil and gas processing skid equipment, provision of technical supporting and related services for oil and gas industry and sale of equipment and materials, undertaking of civil engineering projects and provision of technical support services for shipbuilding industry
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 40,000,000	–	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$33,330,000	–	100%	Provision of technical support services for shipbuilding industry
天津巨濤海洋船舶服務有限公司 (Tianjin Jutal Marine Services Limited)	PRC	Registered capital of RMB80,000,000	–	55%	Vessel leasing

Tianjin Jutal and Shenzhen Jutal are wholly-owned foreign enterprises established in the PRC and Dalian Jutal is a sino-foreign equity joint venture established in the PRC. Zhuhai Jutal and Jutal Marine are domestic enterprises 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 AN ASSOCIATE

	2009 RMB'000	2008 RMB'000
Unlisted investments:		
Share of net assets	**221,107**	179,862

Details of the Group's associate at 31 December 2009 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing
Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") 蓬萊巨濤海洋工程重工有限公司	PRC	Registered capital of US$43,500,000	30%

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 steel 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 associate is set out below:

	2009 RMB'000	2008 RMB'000
At 31 December		
Total assets	**1,035,873**	1,103,250
Total liabilities	**(298,852)**	(503,711)
Net assets	**737,021**	599,539
Group's share of associate's net assets	**221,107**	179,862
Year ended 31 December		
Total revenue	**677,834**	468,364
Total profit for the year	**137,483**	53,812
Group's share of associate's profits for the year	**41,245**	16,143

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

20. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**5,034**	7,898

21. 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 directors.

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

	2009 RMB'000	2008 RMB'000
0 to 30 days	**36,981**	21,229
31 to 90 days	**37,452**	49,488
91 to 365 days	**16,676**	10,085
Over 365 days	**2,273**	1,514
	93,382	82,316

As at 31 December 2009, trade receivables aged over 90 days includes retentions receivable which amounted to RMB3,651,000 (2008: RMB7,951,000).

As at 31 December 2009, an allowance was made for estimated irrecoverable trade receivables of approximately RMB675,000 (2008: RMB4,044,000). The movement in the allowance for estimated irrecoverable trade receivables during the year is as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**4,044**	2,376
Impairment loss recognised	**401**	5,200
Reversal of impairment losses	**(359)**	–
Uncollective amounts written off	**(3,411)**	(3,532)
At 31 December	**675**	4,044

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

As of 31 December 2009, trade receivables of RMB9,070,000 (2008: RMB7,247,000) 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:

	2009 RMB'000	2008 RMB'000
Up to 3 months	**9,002**	3,245
3 to 6 months	**68**	3,184
Over 6 months	**–**	818
	9,070	7,247

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**83,275**	69,760
US dollars	**7,343**	9,403
Hong Kong dollars	**2,467**	3,153
MOP	**297**	–
Total	**93,382**	82,316

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

	2009 RMB'000	2008 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**279,808**	262,785
Less: Progress billings	**(199,428)**	(202,540)
Less: Exchange differences	**(2,927)**	(3,683)
	77,453	56,562
Gross amount due from customers for contract work	**91,268**	57,668
Gross amount due to customers for contract work	**(13,815)**	(1,106)
	77,453	56,562

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

In respect of construction contracts in progress at the end of reporting period, retentions receivable included in trade receivables amounted to RMB3,651,000 (2008: RMB8,136,000). The amount of retentions expected to be recovered after more than twelve months amounted to Nil (2008: RMB739,000).

Advances received in respect of construction contracts amounted to RMB31,398,000 at 31 December 2009 (2008: Nil) and is included in accruals and other payables.

23. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,452**	1,452	**1,170**	1,089
In the second to fifth years, inclusive	**2,905**	4,357	**2,609**	3,779
	4,357	5,809	**3,779**	4,868
Less: Unearned finance income	**(578)**	(941)	**N/A**	N/A
Present value of lease obligation	**3,779**	4,868	**3,779**	4,868
Less: Amount due for settlement within 12 months (shown under current assets)			**(1,170)**	(1,089)
Amount due for settlement after 12 months (shown under non-current assets)			**2,609**	3,779

The Group enters into finance lease arrangement for a levering machine with a related company, 大連船舶重工海洋工程有限公司 ("Dalian Shipbuilding Offshore Company Limited" ("Dalian Shipbuilding")). The lease term is 5 years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term and thus exposes the Group to fair value interest rate risk. The effective interest rate contracted is 7.47% per annum. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

All finance lease receivable are denominated in Renminbi.

The Group's finance lease receivable is secured over the levering machine leased.

24. DUE FROM DIRECTORS

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

Name	Terms	Balance at 31 December 2009 RMB'000	Balance at 1 January 2009 RMB'000	Maximum amount outstanding during the year RMB'000
Wang Lishan	Unsecured, no fixed repayment terms and interest-free	601	596	893
Chen Guocai	Unsecured, no fixed repayment terms and interest-free	–	96	106
Cao Yunsheng	Unsecured, no fixed repayment terms and interest-free	53	82	209
Jiang Dong (Note a)	Unsecured, no fixed repayment terms and interest-free	–	1,007	1,717
		654	1,781	

Note a: Jiang Dong resigned on 27 October 2009 and the balance due was repaid as at 31 December 2009.

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities to the Group. The deposits are in RMB, Hong Kong dollars and US dollars and at fixed interest rate of 0.36% to 0.45% per annum (2008: 0.36% to 2.86% per annum) and therefore are subject to fair value interest rate risk.

As at 31 December 2009, the Group had aggregate banking facilities of approximately RMB229,775,000 (2008: RMB201,452,000) granted from several banks for bank loans, performance bonds and trade financing. The Group issued performance bonds totalling RMB26,044,000 (2008: RMB29,131,000) and utilised other banking facilities including bank loans totalling RMB90,291,000 (2008: RMB60,247,000).

As at 31 December 2009, the bank and cash balances of the Group denominated in RMB amounted to RMB31,574,000 (2008: RMB27,421,000). 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.

26. TRADE AND BILLS PAYABLES

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

	2009 RMB'000	2008 RMB'000
0 to 30 days	27,251	41,586
31 to 90 days	43,234	10,768
91 to 365 days	15,312	9,992
Over 365 days	3,700	5,728
	89,497	68,074

Included in the Group's trade and bills payables at end of reporting period were trade payables due to an associate, Penglai Jutal which amounted to RMB37,147,000 (2008: RMB24,521,000).

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	84,461	60,666
US dollars	4,931	3,379
Hong Kong dollars	105	3,569
MOP	–	460
Total	89,497	68,074

27. DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment.

28. BANK LOANS

	2009	2008
	RMB'000	RMB'000
Bank loans	**69,370**	53,326
The followings are repayable as follows:		
On demand or within one year	**52,520**	53,326
In the second year	**16,850**	–
In the third to fifth years, inclusive	**–**	–
After five years	**–**	–
	69,370	53,326
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(52,520)**	(53,326)
Amount due for settlement after 12 months	**16,850**	–

The carrying amounts of the Group's bank loans are denominated in Renminbi and Hong Kong dollars respectively:

	Renminbi	**Hong Kong Dollars**	**Total**
	RMB'000	RMB'000	RMB'000
2009	69,370	–	69,370
2008	34,340	18,986	53,326

The average interest rate of bank loans at 31 December 2009 was 5.48% per annum (2008: 6.47%).

Bank loans of RMB10,000,000 (2008: RMB34,340,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

28. BANK LOANS (CONTINUED)

At the end of reporting period of 2009, bank loans of RMB39,370,000 (2008: Nil) was secured by a charge over the Group's vessel included in property, plant and equipment.

At the end of reporting period of 2008, bank loans of RMB30,000,000 and RMB18,986,000 were guaranteed by Mr. Wang Lishan and jointly guaranteed by Mr. Wang Lishan and Cheung Hing Investments Limited respectively.

Mr. Wang Lishan, the chairman of the board, an executive director and is the ultimate controlling party of the Company. Cheung Hing Investments Limited is the immediate and ultimate parent of the Company.

29. DEFERRED TAX

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

	Accelerated tax depreciation RMB'000	Investment in an associate RMB'000	Recognition of contracting income RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	2,149	10,403	5,567	–	(367)	17,752
Charge to profit or loss for the year (note 10)						
– Changes in temporary differences	28	1,201	(6,834)	433	99	(5,073)
– Effect of change in tax rate	215	–	618	–	(39)	794
At 31 December 2008 and at 1 January 2009	2,392	11,604	(649)	433	(307)	13,473
Charge to profit or loss for the year (note 10)						
– Changes in temporary differences	534	2,018	(1,872)	616	13	1,309
– Effect of change in tax rate	220	–	(140)	–	(28)	52
At 31 December 2009	3,146	13,622	(2,661)	1,049	(322)	14,834

29. DEFERRED TAX (CONTINUED)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2009	2008
	RMB'000	RMB'000
Deferred tax liabilities	**16,319**	13,473
Deferred tax assets	**(1,485)**	–
	14,834	13,473

At the end of reporting period the Group has unused tax losses of RMB17,947,000 (2008: RMB13,112,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB3,365,000 (2008: RMB3,800,000) and RMB508,000 (2008: RMB2,000) that can be carried forward by five years and three years respectively. Other losses may be carried forward indefinitely.

30. MINORITY INTERESTS

	2009	2008
	RMB'000	RMB'000
Balance at 1 January	**(1,112)**	–
Capital contributions from minority interests (Note a)	**36,000**	–
Share of profit/(loss) of the year	**7,051**	(1,112)
Balance at 31 December	**41,939**	(1,112)

Note a: On 1 June 2009, the minority equity holder of Jutal Marine – Hefei Hongzhou Shipping Engineering Company Limited ("Hongzhou Shipping") injected RMB36,000,000 representing its 45% share of the equity interest in Jutal Marine.

31. SHARE CAPITAL

	Number of Shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2008: HK$0.01) each		
At 1 January 2008, 31 December 2008 and 31 December 2009	700,000,000	7,000

	Number of Shares	Amount	Equivalent to amount
		HK$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.01 (2008: HK$0.01) each			
At 1 January 2008, 31 December 2008 and 31 December 2009	498,000,000	4,980	5,048

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

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

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

The gearing ratios at 31 December 2009 and at 31 December 2008 were as follows:

	2009	2008
	RMB'000	RMB'000
Bank borrowings	**69,370**	53,326
Total equity	**636,501**	524,485
Gearing ratio	**10.90%**	10.17%

31. SHARE CAPITAL (CONTINUED)

The increase in the gearing ratio during 2009, resulted primarily from the Group's increase of bank borrowings.

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 the 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 2009, 40.92% (2008: 39.72%) of the shares were in public hands.

32. 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 or 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.

32. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

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
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
2009A	14 August 2009	14 August 2009 to 13 August 2010	14 August 2010 to 13 August 2019	0.92
2009B	14 August 2009	14 August 2009 to 13 August 2011	14 August 2011 to 13 August 2019	0.92

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2009

32. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

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

	2009		2008	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**31,830,000**	**1.64**	11,460,000	1.68
Granted during the year	**15,150,000**	**0.92**	20,370,000	1.62
Forfeited during the year	**(6,200,000)**	**1.40**	–	–
Exercised during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at the end of the year	**40,780,000**	**1.41**	31,830,000	1.64
Exercisable at the end of the year	**19,145,000**	**1.38**	5,730,000	1.68

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.1 years (2008: 9.0 years) and the exercise price ranges from HK$0.92 to HK$1.68 (2008: HK$1.62 to HK$1.68). In 2009, options were granted on 14 August 2009. The estimated fair value of these share options at grant date are HK$3,624,000. In 2008, options were granted on 12 March 2008 and the estimated fair values of the options granted is HK$7,535,000.

32. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

The fair value of share options granted in 2009 was calculated using the Binomial pricing model and the fair value of share options granted in 2008 was calculated using Black-Scholes pricing model. The inputs into the model were as follows:

	2009	2008
	HK$	HK$
Grant date share price	**0.90**	1.60
Exercise price	**0.92**	1.62
Expected volatility	**73.29%**	54.76% – 62.55%
Expected life	**1 – 2 years**	1 – 2 years
Risk free rate	**2.455%**	1.03% – 1.225%
Expected dividend yield	**3.00%**	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. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009	2008
	RMB'000	RMB'000
Investments in subsidiaries	**81,136**	68,832
Prepayments, deposits and other receivables	**66**	121
Due from subsidiaries	**407,433**	383,368
Bank and cash balances	**212**	488
Accruals and other payables	**(916)**	(898)
Due to subsidiaries	**(42,993)**	–
Bank loans	**–**	(18,985)
Financial guarantee contract liability	**(7,366)**	–
NET ASSETS	**437,572**	432,926
Share capital	**5,048**	5,048
Reserves	**432,524**	427,878
TOTAL EQUITY	**437,572**	432,926

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2009

34. RESERVES

(a) Group

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

(b) Company

	Share premium account	Convertible loans notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Retained profits	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	465,002	2,951	(27,102)	1,481	15,288	28,087	485,707
Recognition of share based payment	–	–	–	5,049	–	–	5,049
Translation difference	–	–	(28,937)	–	–	–	(28,937)
2007 final dividend paid	–	–	–	–	–	(28,087)	(28,087)
Loss for the year	–	–	–	–	(5,854)	–	(5,854)
At 31 December 2008	465,002	2,951	(56,039)	6,530	9,434	–	427,878
Recognition of share based payment	–	–	–	2,502	–	–	2,502
Share options forfeited	–	–	–	(431)	431	–	–
Translation difference	–	–	(590)	–	–	–	(590)
Profit for the year	–	–	–	–	2,734	–	2,734
At 31 December 2009	465,002	2,951	(56,629)	8,601	12,599	–	432,524

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law 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.

34. RESERVES (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(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 directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(s) 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(n) to the financial statements.

35. CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: Nil).

36. CAPITAL COMMITMENTS

The Group's capital commitments at the end of reporting period are as follows:

	2009 **RMB'000**	2008 RMB'000
Property, plant and equipment		
Contracted but not provided for	**1,017**	129,453

37. LEASE COMMITMENTS

At 31 December 2009 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**3,317**	5,074
In the second to fifth years, inclusive	**1,013**	3,444
After five years	**708**	732
	5,038	9,250

Operating lease payments represent rentals payable by the Group for a piece of land, certain of its office, warehouses and motor vehicles. Leases are negotiated for an average term of 5 years and rentals are fixed over the lease terms and do not include contingent rentals.

38. RELATED PARTY TRANSACTIONS

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

		2009 RMB'000	2008 RMB'000
Subcontracting expenses paid / payable to an associate, Penglai Jutal	(a)	**37,134**	26,726
Rental expenses paid / payable to a related company, Zhuhai Prospering	(b)	**2,010**	1,675
Contract revenue received / receivable from a related company, Dalian Shipbuilding	(c)	**26,620**	14,949

(a) At 31 December 2009, the balance due to Penglai Jutal in relating to the subcontracting expenses charged of RMB37,147,000 (2008: RMB24,521,000) was included in the Group's trade and bills payables.

(b) 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 is three years 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.

(c) Dalian Shipbuilding is an associate 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.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 April 2010.

FINANCIAL SUMMARY

(All amounts in RMB'000 unless otherwise stated)

SUMMARY OF FINANCIAL DATA ANNOUNCED IN PREVIOUS FIVE YEARS

INCOME STATEMENT

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	248,887	297,190	422,856	364,087	**396,111**
Profit for the year attributable to owners of the Company	39,573	42,662	68,029	29,545	**66,706**

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	112,765	340,526	801,160	687,519	**893,128**
Total liabilities	(42,356)	(75,881)	(266,633)	(163,034)	**(256,627)**
Total equity	70,409	264,645	534,527	524,485	**636,501**

Notes:

1. Financial information for the year 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 year ended 31 December 2005 and assets and liabilities as at 31 December 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, 31 December 2007, 31 December 2008 and 31 December 2009 and assets and liabilities as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 December 2009 were extracted from the audited consolidated income statement and the audited consolidated statement financial position.