



INTERIM REPORT

JUTAL

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3303

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FINANCIAL HIGHLIGHTS

- Turnover was RMB202,191,000, a 30.66% increase over the same period last year.
- Gross profit was RMB47,632,000, a 4.85% increase over the same period last year.
- Profit attributable to owners of the Company was RMB34,166,000, a 5.45% increase over the same period last year.
- Basic earnings per share was RMB0.069 for the six months ended 30 June 2010 as compared to RMB0.065 in the same period last year, representing a 6.15% increase.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2010.

The Board of Directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company") is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2010 of the Company and its subsidiaries (collectively referred to as the "Group"), together with the comparative figures for the corresponding period in 2009. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been reviewed by the audit committee of the Company (the "Audit Committee"). RSM Nelson Wheeler, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA").

INDEPENDENT REVIEW REPORT

RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

TO THE BOARD OF DIRECTORS OF JUTAL OFFSHORE OIL SERVICES LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 19 which comprise the condensed consolidated statement of financial position of the Company as at 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
20 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 (Unaudited)	2009 (Unaudited)
		RMB'000	RMB'000
Turnover	3	202,191	154,742
Cost of sales and service		(154,559)	(109,312)
Gross profit		47,632	45,430
Other income	4	15,824	18,494
Administrative expenses		(27,251)	(27,723)
Other operating expenses		(671)	(2,292)
Profit from operations		35,534	33,909
Finance costs	5	(2,979)	(2,255)
Share of profit of an associate		14,044	12,916
Profit before tax		46,599	44,570
Income tax expense	6	(11,661)	(6,592)
Profit for the period	7	34,938	37,978
Attributable to:			
Owners of the Company		34,166	32,399
Non-controlling interests		772	5,579
		34,938	37,978
Earnings per share	8	RMB	RMB
Basic		6.9 CENTS	6.5 CENTS
Diluted		6.9 CENTS	6.5 CENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	RMB'000	RMB'000
Profit for the period	34,938	37,978
Other comprehensive income:		
Exchange differences on translating foreign operations	(2,458)	(217)
Other comprehensive income for the period, net of tax	(2,458)	(217)
Total comprehensive income for the period	32,480	37,761
Attributable to:		
Owners of the Company	31,708	32,182
Non-controlling interests	772	5,579
	32,480	37,761

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

JUTAL OFFSHORE OIL SERVICES LIMITED

	Note	30 June 2010 (Unaudited)	31 December 2009 (Audited)
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	10	90,969	208,453
Prepaid land lease payments		843	877
Goodwill		195,626	197,874
Intangible assets		3,717	–
Investment in an associate		235,151	221,107
Finance lease receivables		1,980	2,609
Deferred tax assets		719	1,485
		529,005	632,405
Current assets			
Inventories		6,184	5,034
Trade and bills receivables	11	56,969	93,382
Gross amount due from customers for contract work		68,706	91,268
Prepayments, deposits and other receivables		89,456	24,668
Finance lease receivables		1,214	1,170
Amount due from directors		822	654
Amount due from an associate		10	9
Current tax assets		1,178	1,909
Pledged bank deposits		4,508	5,577
Bank and cash balances		56,586	37,052
		285,633	260,723
Current liabilities			
Trade and bills payables	12	62,125	89,497
Gross amount due to customers for contract work		9,850	13,815
Accruals and other payables		23,608	64,162
Amount due to a related company		168	1,791
Bank loans		23,000	52,520
Current tax liabilities		3,089	1,673
		121,840	223,458
Net current assets		163,793	37,265
Total assets less current liabilities		692,798	669,670

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

INTERIM REPORT 2010

	Note	30 June 2010 (Unaudited)	31 December 2009 (Audited)
		RMB'000	RMB'000
Non-current liabilities			
Bank loans		–	16,850
Deferred tax liabilities		22,889	16,319
		22,889	33,169
NET ASSETS			
		669,909	636,501
Capital and reserves			
Share capital	13	5,048	5,048
Reserves		622,150	589,514
Equity attributable to owners of the Company		627,198	594,562
Non-controlling interests		42,711	41,939
TOTAL EQUITY			
		669,909	636,501

Approved by the Board of Directors on

Wang Lishan
Chairman

Cao Yunsheng
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	5,048	465,002	(52,040)	2,951	(35,853)	6,530	15,946	118,013	525,597	(1,112)	524,485
Total comprehensive income for the period	-	-	-	-	(217)	-	-	32,399	32,182	5,579	37,761
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	36,000	36,000
Recognition of share-based payment	-	-	-	-	-	583	-	-	583	-	583
Changes in equity for the period	-	-	-	-	(217)	583	-	32,399	32,765	41,579	74,344
At 30 June 2009	5,048	465,002	(52,040)	2,951	(36,070)	7,113	15,946	150,412	558,362	40,467	598,829
At 1 January 2010	5,048	465,002	(52,040)	2,951	(36,096)	8,601	22,273	178,823	594,562	41,939	636,501
Total comprehensive income for the period	-	-	-	-	(2,458)	-	-	34,166	31,708	772	32,480
Recognition of share-based payment	-	-	-	-	-	928	-	-	928	-	928
Share options forfeited	-	-	-	-	-	(400)	-	400	-	-	-
Changes in equity for the period	-	-	-	-	(2,458)	528	-	34,566	32,636	772	33,408
At 30 June 2010	5,048	465,002	(52,040)	2,951	(38,554)	9,129	22,273	213,389	627,198	42,711	669,909

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

INTERIM REPORT 2010

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	20,850	41,831
Purchases of property, plant and equipment	(3,968)	(80,925)
Proceeds received from disposal of a vessel included in property, plant and equipment	55,700	–
Other investing cash flows (net)	(5,970)	785
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	45,762	(80,140)
Inception of bank loans	33,000	50,000
Repayment of bank loans	(79,370)	(53,326)
Capital contributions from non-controlling interests	–	36,000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(46,370)	32,674
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,242	(5,635)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,326	44,750
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(210)	8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	58,358	39,123

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	56,586	36,277
Pledged bank deposits	1,772	2,846
	58,358	39,123
Pledged bank deposits can be reconciled to the condensed consolidated statement of financial position as follows:		
Pledged bank deposits (mature in three months or less)	1,772	2,846
Pledged bank deposits (mature after three months)	2,736	4,474
	4,508	7,320

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period and prior years.

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

3. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

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

3. SEGMENT INFORMATION (Continued)

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials (Unaudited)	Fabrication of oil and gas facilities and oil and gas processing skid equipment (Unaudited)	Civil engineering business (Unaudited)	Provision of technical support services for shipbuilding industry (Unaudited)	Total (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
6 months ended 30 June 2010					
Revenue from external customers	42,562	130,736	1,215	27,678	202,191
Segment profit	9,222	28,026	1,021	9,363	47,632
As at 30 June 2010:					
Segment assets	23,724	178,345	3,674	14,490	220,233
6 months ended 30 June 2009					
Revenue from external customers	47,239	65,954	6,286	35,263	154,742
Segment profit/(loss)	17,367	14,018	(4,482)	18,527	45,430
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
As at 31 December 2009:					
Segment assets	138,437	223,615	3,378	25,216	390,646
Six months ended 30 June					
			2010	2009	
			(Unaudited)	(Unaudited)	
			RMB'000	RMB'000	
Reconciliations of segment profits:					
Total profit of reportable segments			47,632	45,430	
Unallocated amounts:					
Other income			15,824	18,494	
Other corporate expenses			(30,901)	(32,270)	
Share of profit of an associate			14,044	12,916	
Consolidated profit before tax for the period			46,599	44,570	

4. OTHER INCOME

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	RMB'000	RMB'000
Compensation income	3,436	18,000
Gain on disposal of property, plant and equipment	11,170	–
Finance income from finance lease	141	182
Interest income	159	167
Net foreign exchange gains	178	42
Sundry income	740	103
	15,824	18,494

5. FINANCE COSTS

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	RMB'000	RMB'000
Interest on bank loans	2,159	1,623
Others	820	632
	2,979	2,255

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax Provision for the period	–	–
	–	–
Current tax – PRC Enterprise Income Tax Provision for the period	4,296	1,947
Under provision in prior periods	29	596
	4,325	2,543
Current tax – Overseas Provision for the period	–	–
Deferred tax	7,336	4,049
	11,661	6,592

6. INCOME TAX EXPENSE (Continued)

- (a) No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits in Hong Kong.
- (b) The PRC Enterprise Income Tax has been provided on the assessable profit of the Group's subsidiaries in the PRC in accordance with the relevant PRC Enterprise Income Tax laws and regulations.
- (c) Income tax expense on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	10,307	5,692
Amortisation of intangible assets	266	–
Amortisation of prepaid land lease payment	34	37
Directors' emoluments		
– As directors	240	220
– For management	1,728	1,409
– Share-based payments	279	443
	2,247	2,072
Loss on disposal of property, plant and equipment	44	41

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	34,166	32,399
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	498,000,000	498,000,000
Effect of dilutive potential ordinary shares arising from share options	–	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	498,000,000	498,000,000

9. DIVIDENDS

The Board of the Company does not recommend payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of approximately RMB3,968,000.

Furthermore, during the six months ended 30 June 2010, the Group disposed a vessel with carrying amount of approximately RMB111,099,000 at the date of disposal at consideration of RMB125,000,000. The direct costs attributable to the disposal is approximately RMB2,731,000. The gain on disposal of approximately RMB11,170,000 was charged to the profit or loss in the period.

11. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	33,376	36,981
31 to 90 days	14,978	37,452
91 to 365 days	6,428	16,676
Over 365 days	2,187	2,273
	56,969	93,382

12. TRADE AND BILLS PAYABLES

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

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	24,896	27,251
31 to 90 days	11,520	43,234
91 to 365 days	24,383	15,312
Over 365 days	1,326	3,700
	62,125	89,497

13. SHARE CAPITAL

	Number of shares	Amount	
		<i>HK\$'000</i>	
Authorised:			
Ordinary shares of HK\$0.01 each at 1 January 2009, 31 December 2009 and 30 June 2010	700,000,000	7,000	
	Number of shares	Amount	Equivalent to amount
		<i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 January 2009, 31 December 2009 and 30 June 2010	498,000,000	4,980	5,048

14. SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Scheme") adopted on 28 August 2006. The Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group.

	Date of grant	Vesting period	Exercise period	Exercise price
				<i>HK\$</i>
2007A	16-Mar-07	16 March 2007 to 15 March 2008	16 March 2008 to 15 March 2017	1.68
2007B	16-Mar-07	16 March 2007 to 15 March 2009	16 March 2009 to 15 March 2017	1.68
2008A	12-Mar-08	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12-Mar-08	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62
2009A	14-Aug-09	14 Aug 2009 to 13 Aug 2010	14 Aug 2010 to 13 Aug 2019	0.92
2009B	14-Aug-09	14 Aug 2009 to 13 Aug 2011	14 Aug 2011 to 13 Aug 2019	0.92
2010A	27-May-10	27 May 2010 to 26 May 2013	27 May 2013 to 26 May 2020	0.93
2010B	27-May-10	27 May 2010 to 26 May 2014	27 May 2014 to 26 May 2020	0.93
2010C	27-May-10	27 May 2010 to 26 May 2015	27 May 2015 to 26 May 2020	0.93

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

14. SHARE-BASED PAYMENTS (Continued)

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

	30 June 2010		31 December 2009	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	HK\$		HK\$	
Outstanding at the beginning of the period/year	40,780,000	1.41	31,830,000	1.64
Granted during the period/year	6,500,000	0.93	15,150,000	0.92
Forfeited during the period/year	(3,300,000)	1.40	(6,200,000)	1.40
Exercised during the period/year	–	–	–	–
Expired during the period/year	–	–	–	–
Outstanding at the end of the period/year	43,980,000	1.34	40,780,000	1.41
Exercisable at the end of the period/year	25,430,000	1.64	19,145,000	1.65

The options outstanding at the end of the period have a weighted average remaining contractual life of 8.2 years (at 31 December 2009: 8.1 years) and the exercise price range from HK\$0.92 – HK\$1.68 (at 31 December 2009: range from HK\$0.92 – HK\$1.68).

The fair values of option granted on 27 May 2010 and 14 August 2009 determined using Binomial pricing model were HK\$2,877,000 and HK\$3,624,000 respectively. The inputs into the model were as follows:

	Share options granted date	
	27 May 2010	14 August 2009
	HK\$	HK\$
Grant date share price	0.91	0.90
Exercise price	0.93	0.92
Expected volatility	68.54%	73.29%
Expected life	3-5 years	1-2 years
Risk free rate	2.420%	2.455%
Expected dividend yield	3.00%	3.00%

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 behavioral considerations.

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	RMB'000	RMB'000
Subcontracting expenses paid/payable to an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") (a)	24,952	–
Rental expenses paid/payable to a related company, Zhuhai Prospering Offshore Oil Engineering Company Limited ("Zhuhai Prospering") (b)	1,005	1,005
Contract revenue received/receivable from a related company, Dalian Shipbuilding Offshore Company Limited ("Dalian Shipbuilding") (c)	5,912	7,351

(a) At 30 June 2010, the balance due to Penglai Jutal in relating to the subcontracting expenses charged of RMB13,761,000 (31 December 2009: RMB37,147,000) was included in the Group's trade and bills payables.

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

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

(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.

16. SEASONALITY

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

17. CAPITAL COMMITMENTS

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	RMB'000	RMB'000
Contracted but not provided for:		
Purchase of property, plant and machinery	975	1,017

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2010 (At 31 December 2009: Nil).

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first half of year 2010, the Group continued to implement our development strategy actively through market development, project operation, and enhancing our core competence. During the period, we have adopted more aggressive measures for market development, react to the changes in the market neatly, enhanced our cost control and management, established technical development department and commenced a series of training and studies on technical and research activities, which created a solid background for long term development. In the first half of year 2010, development of our fabrication of oil and gas facilities and oil and gas processing skid equipment business is satisfactory, with significant growth in turnover and gross profit. Turnover and gross profit of our provision of technical support and related services for oil and gas industry and sales of equipment and materials business has decreased significantly, as the business activities of our subsidiary Tianjin Jutal Marine Services Limited (“Jutal Marine”) has been reduced due to the changes in market condition. The Group has disposed the “Hongli 900”, a full revolving hoisting vessel that formerly owned by Jutal Marine during the first half of the year based on our judgment on related business and market. Turnover and gross profit of our provision of technical support services for shipbuilding industry business has decreased significantly as the market has not yet fully recovered.

Turnover

The Group recorded a total turnover of RMB202,191,000 in the first half of year 2010, representing an increase of RMB47,449,000 or approximately 30.66% compared with RMB154,742,000 in the corresponding period in 2009. The increase in turnover was mainly attributable to the significant growth in the fabrication of oil and gas facilities and oil and gas processing skid equipment business due to new customer and business, with turnover increased from RMB65,954,000 in the corresponding period in last year to RMB130,736,000, representing an increase of RMB64,782,000 or approximately 98.22%. Turnover of our remaining business has been decreased to different extent. Turnover from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has decreased from RMB47,239,000 in the corresponding period in last year to RMB42,562,000, representing a decrease of RMB4,677,000 or approximately 9.90%. Turnover from the provision of technical support services for shipbuilding industry business has decreased from RMB35,263,000 in the corresponding period in last year to RMB27,678,000, representing a decrease of RMB7,585,000 or approximately 21.51%. The civil engineering business has recorded turnover of RMB6,286,000 in the corresponding period in last year, and we have abolished this business in the second half of year 2009, turnover from this business has decreased to RMB1,215,000 in the current period, which mainly represents income from later stage of projects in last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Turnover (Continued)

The table below set out the analysis of turnover by product or service for the six months ended 30 June 2008, 2009 and 2010:

Product/service	For the six months ended 30 June					
	2010 Percentage of total turnover		2009 Percentage of total turnover		2008 Percentage of total turnover	
	RMB'000	%	RMB'000	%	RMB'000	%
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	42,562	21	47,239	30	31,371	18
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	130,736	65	65,954	43	72,718	43
3. Provision of technical support services for shipbuilding industry	27,678	13	35,263	23	41,544	25
4. Civil engineering business	1,215	1	6,286	4	23,092	14
Total	202,191	100	154,742	100	168,725	100

Cost of Sales and Services

Cost of sales and services of the Group for the six months ended 30 June 2010 amounted to RMB154,559,000, representing an increase of RMB45,247,000 or approximately 41.39% compared with RMB109,312,000 in the corresponding period in last year. Cost of sales and services comprised of direct costs and manufacturing overheads. Direct costs in the first half of 2010 amount to RMB129,532,000, representing approximately 83.81% of total cost of sales and services, and an increase of RMB39,281,000 or approximately 43.52% from RMB90,251,000 in the corresponding period in last year. Direct costs mainly composed of material costs, subcontracting charges and labour costs, which amounted to RMB30,536,000, RMB19,853,000 and RMB28,246,000 respectively, representing approximately 33.83%, 22.00% and 31.30% of total direct costs respectively for the first half of year 2009, and amounted to RMB31,856,000, RMB56,031,000 and RMB32,861,000 respectively, representing approximately 24.59%, 43.26% and 25.37% of total direct costs respectively for the first half of year 2010. The Group calculates the cost of sales and services of projects on an order-by-order basis, while the composition of cost differs for each project, therefore the composition of cost of sales and services varies significantly from project to project. Manufacturing overheads has increased to RMB25,027,000 in the first half of year 2010 as compared with RMB19,060,000 in corresponding period in last year, representing an increase of RMB5,967,000 or approximately 31.31%. The increase in manufacturing overheads is mainly due to significant increase in level of our fabrication of oil and gas facilities and oil and gas processing skid equipment business and increase in expenses in relating to the operation of Hongli 900.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Gross Profit

In the first half of year 2010, the total gross profit of the Group was increased to RMB47,632,000 from RMB45,430,000 in the corresponding period in last year, representing an increase of RMB2,202,000. The overall gross profit margin was decreased to approximately 23.56% compared to 29.36% in the corresponding period in last year. The gross profit margin of fabrication of oil & gas facilities and oil & gas processing skid equipment business has maintained the same level with the corresponding period in last year. The gross profit margin of provision of the technical supporting and related services for oil and gas industry and sales of equipment and materials business has been decreased by 15% mainly due to impact of disposal of Hongli 900. The gross profit margin of the provision of technical support services for shipbuilding industry business has been decreased by 19% due to changed in structure of the business and decreased in turnover in the business.

The table below set out the analysis of gross profit/(loss) by product or service for the six months ended 30 June 2008, 2009 and 2010:

Product/service	2010		For the six months ended 30 June						
	Gross profit margin%	Percentage of total gross profit	2009			2008			
	RMB'000		RMB'000	Gross profit margin%	Percentage of total gross profit	RMB'000	Gross profit margin%	Percentage of total gross profit	
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	9,222	22	19	17,367	37	38	5,340	17	15
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	28,026	21	59	14,018	21	31	12,707	17	36
3. Provision of technical support services for shipbuilding industry	9,363	34	20	18,527	53	41	15,653	38	43
4. Civil engineering business	1,021	84	2	(4,482)	(71)	(10)	2,074	9	6
Total	47,632		100	45,430		100	35,774		100

Other Income

In the first half of year 2010, other income of the Group was decreased from RMB18,494,000 in the corresponding period in last year to RMB15,824,000. Other income mainly comprised of gain on disposal of property, plant and equipment of RMB11,170,000, compensation income of RMB3,436,000, and interest income, income from finance leases and sundry income of RMB1,218,000. The gain on disposal of property, plant and equipment represents gain on disposal of Hongli 900. The compensation income mainly comprise of compensation from insurance claims.

Administrative Expenses

In the first half of year 2010, the administrative expenses of the Group amounted to RMB27,251,000, which mainly comprised of management staff's remuneration of RMB14,242,000, and entertainment expenses, travelling expenses, motor vehicle expenses, insurance expenses incurred on market development and daily operation. Total administrative expenses was decreased by RMB472,000 as compared with RMB27,723,000 in the corresponding period in last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Finance Costs

In the first half of year 2010, the finance costs of the Group was increased from RMB2,255,000 in the corresponding period in last year to RMB2,979,000, which mainly comprised of bank loan interest of RMB2,159,000 and bank charges of RMB788,000.

Share of Profits of an Associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"). In the first half of year 2010, the net profit after tax of Penglai Jutal amounted to RMB46,815,000. The Group's share of profits from the associate amounted to RMB14,044,000 under the equity method of accounting.

Non-controlling Interest

The Group has 55% equity interest in Jutal Marine, and Jutal Marine has recorded a net profit after tax of RMB1,715,000 in the first half of year 2010. Profit attributable to non-controlling interest amounted to RMB772,000 according to proportion of equity interest in Jutal Marine.

Net Profit Attributable to Owners of the Company

In the first half of year 2010, net profit attributable to owners of the Company amounted to RMB34,166,000, representing an increase of approximately 5.45% compared with the corresponding period in 2009. Basic earnings per share amounted to RMB0.069.

Working Capital and Financial Resources

As at 30 June 2010, the working funds (cash and cash equivalents) of the Group amounted to RMB58,358,000 (31 December 2009: RMB38,326,000). During the period, net cash inflow from operating activities amounted to RMB20,850,000, net cash inflow from investing activities amounted to RMB45,762,000, and net cash outflow from financing activities amounted to RMB46,370,000.

As at 30 June 2010, the total banking facilities of the Group amounted to RMB268,081,000, of which RMB62,485,000 was utilised and RMB205,596,000 was unutilised. Out of the unutilised banking facilities, RMB95,000,000 was available for raising bank loans. As at 30 June 2010, short term bank loans obtained by the Group amounted to RMB23,000,000.

Capital Structure

As at 30 June 2010, the share capital of the Company comprised of 498,000,000 ordinary shares (31 December 2009: 498,000,000 ordinary shares).

As at 30 June 2010, the net assets of the Group was amounted to RMB669,909,000 (31 December 2009: RMB636,501,000), comprising non-current assets of approximately RMB529,005,000 (31 December 2009: RMB632,405,000), net current assets of approximately RMB163,793,000 (31 December 2009: RMB37,265,000) and non-current liabilities of approximately RMB22,889,000 (31 December 2009: RMB33,169,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1. BUSINESS REVIEW (Continued)

Major Acquisition and Disposal

On 7 June 2010, subsidiary of the Group, Jutal Marine, has entered into an acquisition agreement with 江蘇華西村海洋工程服務有限公司 (the "Purchaser"), pursuant to which the Jutal Marine sold to the Purchaser Hongli 900 at consideration of RMB125,000,000. As at 30 June 2010, Hongli 900 was no longer an asset of the Group, and the related gain on disposal has been recorded in financial statements of the current period.

The Group will continue to search for business that are similar or complementary to the Group's business as target for acquisition to enhance the competitiveness of the Group. Up to the date of this report, there are no acquisition in progress.

Significant Investment

In the first half of year 2010, the Group has resumed the second phase of construction of Zhuhai Plant. The Group estimated that approximately RMB45,000,000 would be invest in the construction work, and the construction is expected to complete in the first half of year 2011.

Assets Pledged by the Group

As at 30 June 2010, except for the bank deposits amounted to RMB4,508,000 that were pledged as security for the issuance of performance bonds, letter of credits and bank acceptance, there were no other assets pledged by the Group.

Contingent Liabilities

As at 30 June 2010, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2010, the Group had total 2,220 employees (31 December 2009: 1,889), of which 366 (31 December 2009: 346) were management and technical staff, and 1,854 (31 December 2009: 1,543) were other staffs and workers.

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

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

2. FUTURE OUTLOOK

In the second half of the year, the Group will continue to put effort to improve the technical skills, strive for excellence in marketing activities, put more efforts in exploiting new businesses and market development, and focus on the opportunities in new markets. We will closely monitor our business and market, and develop essential competence and capabilities to prepare for implementation of projects and expansion of range of our services. At the same time, we will improve our process on project management, enhance the manufacturing and operation capabilities, and engage more resources in staff training and introduction of talented personnel.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2010.

SHARE OPTION

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

The General Scheme Limit of the Share Option Scheme has been refreshed and approved by shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 49,800,000 shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares), unless approval of the shareholders has been obtained. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

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

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

The Board approved to grant and the Company has granted options to Directors and other eligible participants under the Share Option Scheme from 1 January 2007 to 30 June 2010. 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	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2010	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2010	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	-	-	-	2,000,000	0.40%
Jiang Dong	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	-	-	1,000,000	-	-
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	5,310,000	-	-	-	5,310,000	1.07%
Total					10,660,000	-	-	1,000,000	9,660,000	1.94%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2010	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2010	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	-	-	-	2,000,000	0.40%
Jiang Dong	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	-	-	1,200,000	-	-
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	11,020,000	-	-	-	11,020,000	2.21%
Total					16,970,000	-	-	1,200,000	15,770,000	3.17%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options as at 1 January 2010	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2010	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Jiang Dong	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	-	-	800,000	-	-
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	10,450,000	-	-	300,000	10,150,000	2.04%
Total					13,150,000	-	-	1,100,000	12,050,000	2.42%

The above 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).

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options	Closing price of the Shares immediately before the date of granting the options	Number of options granted	Number of options exercised during the period	Number of options cancelled during the period	Number of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2010	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
			(HK\$)	(HK\$)						
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	6,500,000	-	-	-	6,500,000	1.31%
Total					6,500,000	-	-	-	6,500,000	1.31%

DIRECTORS REPORT AND CORPORATE GOVERNANCE (Continued)

SHARE OPTION (Continued)

(iv) Options granted in 2010 (Continued)

The above options granted under the Share Option Scheme during the period has a duration of ten years from the date of grant, they are not exercisable within three years from the date of grant, 20% can be exercised within each of the fourth and the fifth year from the date of grant, and become totally exercisable since the sixth 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).

Each option granted under the Share Option Scheme during the period gives the holder the right to subscribe for one Share. The price for granting the options is HK\$1. The exercise price determined by the Board is not less than the highest of:

- (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of the share of the Company at the time of exercise of an option.

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

At 30 June 2010, the interests of the Directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules, were as follows:

(I) THE COMPANY

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	272,212,000 (L) (Note 1)	54.66%
	Share options	4,000,000 (L)	0.8%
Chen Guocai	Interest of a controlled corporation (Note 3)	10,000,000 (L)	2.01%
	Share options	3,000,000 (L)	0.6%
Cao Yunsheng	Interest of a controlled corporation (Note 4)	12,000,000 (L)	2.41%
	Share options	3,000,000 (L)	0.6%
Tian Huiwen	Share options	1,000,000 (L)	0.2%

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

(Continued)

(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:

- The letter "L" denotes a long position in the Shares.
- The 272,212,000 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
- The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
- The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.
- 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 30 June 2010. Save and except Wang Lishan, director of Cheung Hing Investments Limited, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested in 5% or more shares or underlying shares which be entered in the register maintained by the Company pursuant to section 336 of the SFO referred to therein:

Name of Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	272,212,000 (L) (Note 1)	54.66%
Martin Currie (Holdings) Limited	Interest of controlled corporation (Note 3)	34,262,000 (L)	6.88%

SUBSTANTIAL SHAREHOLDERS (Continued)

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 share holder of the Company.
3. Among the 34,262,000 Shares, 14,846,000 Shares are held by Martin Currie Inc., which is indirectly wholly-owned by Martin Currie (Holdings) Limited, and 19,416,000 Shares are held by Martin Currie Investment Management, which is indirectly wholly-owned by Martin Currie (Holdings) Limited.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed and approved the unaudited financial reports of the Group for the period ended 30 June 2010 and is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

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

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

Hong Kong, 20 August 2010

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

COMPANY REPRESENTATIVE, COMPANY SECRETARY

Mr. Luk Chi Tong

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