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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

**FINANCIAL HIGHLIGHTS**

1. Turnover increased by 42.28 % to RMB422,856,000

2. Gross profit increased by 29.60% to RMB93,940,000

3. Net profit increased by 59.46% to RMB68,029,000

4. Basic earnings per share were RMB0.1482

5. Proposed final dividend was HKD0.06 per share

The board of directors of Jutal Offshore Oil Services Limited ( the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ( the "Group") for the year ended 31 December 2007 as follows:

**CONSOLIDATED INCOME STATEMENT**
*FOR THE YEAR ENDED 31 DECEMBER 2007*

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

## CONSOLIDATED BALANCE SHEET

*AT 31 DECEMBER 2007*

| | Note | **2007** | 2006 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **69,491** | 30,521 |
| Prepaid land lease payments | | **1,025** | 1,099 |
| Goodwill | *10* | **211,366** | – |
| Investment in an associate | *9* | **130,018** | – |
| | | **411,900** | 31,620 |
| **Current assets** | | | |
| Inventories | | **5,069** | 4,077 |
| Trade receivables | *11* | **42,527** | 19,990 |
| Gross amount due from customers for contract work | *12* | **154,850** | 57,064 |
| Prepayments, deposits and other receivables | | **32,379** | 12,883 |
| Due from directors | | **238** | – |
| Due from an associate | | **1,867** | – |
| Pledged bank deposits | | **3,346** | 1,547 |
| Bank and cash balances | | **148,984** | 213,345 |
| | | **389,260** | 308,906 |
| **Current liabilities** | | | |
| Trade and bills payables | *13* | **93,699** | 47,396 |
| Gross amount due to customers for contract work | *12* | **2,762** | 3,129 |
| Accruals and other payables | | **86,433** | 20,096 |
| Convertible loans | *14* | **61,896** | – |
| Finance lease payables | | **–** | 123 |
| Current tax liabilities | | **4,091** | 2,888 |
| | | **248,881** | 73,632 |
| **Net current assets** | | **140,379** | 235,274 |
| **Total assets less current liabilities** | | **552,279** | 266,894 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **17,752** | 2,249 |
| **NET ASSETS** | | **534,527** | 264,645 |
| Capital and reserves | | | |
| Share capital | | **5,048** | 4,239 |
| Reserves | | **529,479** | 260,406 |
| **TOTAL EQUITY** | | **534,527** | 264,645 |

**NOTES:**

**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 Group is principally engaged in provision of technical support services in offshore oil and natural gas exploitation and production and sale of equipment and materials, fabrication of oil and natural gas processing skid equipment, provision of technical support services in the shipbuilding industry and undertaking of civil engineering projects.

**2. ADOPTION OF NEW AND REVISED HKFRSS**

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

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

**3. TURNOVER**

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

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

## 4. SEGMENT INFORMATION

### (a) Primary reporting format – business segments

The Group is organised into four main business segments:

- Provision for technical support services in offshore oil and natural gas exploitation and production and sales of equipment and materials.
- Fabrication of oil and natural gas processing skid equipment.
- Undertaking of civil engineering projects.
- Provision of technical support services in the shipbuilding industry.

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

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

**(b) Secondary reporting format – geographical segments**

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

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

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

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

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

## 5. PROFIT FOR THE YEAR

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

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

## 6. INCOME TAX EXPENSES

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

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

(ii) PRC Enterprise Income Tax

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

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

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

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

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

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

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

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

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

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

(iii) Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

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

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

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

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

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

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

## 7. DIVIDENDS

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE

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

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

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

## 9. INVESTMENTS IN ASSOCIATES

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

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

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

Principal activities:

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

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

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

## 10. GOODWILL

| | *RMB'000* |
|---|---|
| Cost and carrying amount | |
| At 31 December 2006 and 1 January 2007 | – |
| Arising on acquisition of a subsidiary | **211,366** |
| At 31 December 2007 | **211,366** |

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

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

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

## 11. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

## 12. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

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

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

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

## 13. TRADE AND BILLS PAYABLES

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

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

## 14. CONVERTIBLE LOANS

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

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## 1. FINANCIAL AND BUSINESS REVIEW

### Turnover

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

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

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

## Cost of sales

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

## Gross profit

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

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

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

## Other income

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

## Administrative expenses

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

**Finance cost**

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

**Net profit**

In summary, the Group's net profit in 2007 amounted to RMB68,029,000, an increase of 59.46% over 2006. Basic earnings per share was RMB0.1482. Contribution by an associate-Penglai Jutal Offshore Engineering Heavy Industries Company Limited("Penglai Jutal") amounted to RMB 11,586,000 calculated under the equity method of accounting was included in the net profit of the group in the year. The Group indirectly acquired 30% equity interest of Penglai Jutal through acquire the entire interest of Stand Success Limited during the year. Excluding the contribution from Penglai Jutal, the net profit of the Group for the original business would be RMB56,443,000, with the net profit margin slightly decreased from 14.36% in 2006 to 13.35%.

## 2. LIQUIDITY AND FINANCIAL RESOURCES

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

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

## 3. CAPITAL STRUCTURE

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

As at 31 December 2007, the Group's net assets amounted to approximately RMB534,527,000 (31 December 2006: RMB264,645,000), including non-current assets of approximately RMB411,900,000 (31 December 2006: RMB31,620,000), net current assets of approximately RMB140,379,000 (31

December 2006: RMB235,274,000) and non-current liabilities of approximately RMB17,752,000 (31 December 2006: RMB2,249,000).

## 4. MATERIAL ACQUISITION AND DISPOSAL

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

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

## 5. MATERIAL INVESTMENT

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

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

## 6. FUTURE PLANS FOR SIGNIFICANT INVESTMENT

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

The Group has already started formulating the construction proposal of the second phase of Zhuhai yard, the project has a site area of approximately 60,000 square meter, will include a skid way and a corresponding launching pier. Upon completion, the yard will enabling the Group to build large equipment and living quarters, thus eliminating the reliance on leasing other company's venue for large scale fabrication business and the adverse effect brought by limit on fabrication venue. The Group is now inviting tenders for the design of the project, the investment cost is expected to be approximately RMB60,000,000, of which approximately RMB30,000,000 shall be paid in 2008 in cash. The yard is expected to commence fabrication in mid 2009.

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

## 7. RISK OF FOREIGN EXCHANGE

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

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

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

## 8. ASSETS PLEDGED BY THE GROUP

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

## 9. CONTINGENT LIABILITIES

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

## 10. EMPLOYEES INFORMATION AND REMUNERATION POLICY

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

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

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

## BUSINESS REVIEW

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

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

### Acquisition of Equity Interest in Penglai Jutal

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

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

### Oil and Gas Fabrication Business

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

We made further achievements in overseas market expansion by having identified additional overseas customers and established a good relationship with business partners, thus enabling us to have jointly acquired major contract projects. Having summarised our past experience, we will adjust our business and tender strategies appropriately, take initiative in launching marketing campaign, reinforce our follow-up of key projects, strengthen our project management, enhance our project management standard and increase our working efficiency and product quality for further improving customer satisfaction.

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

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

**Offshore Oil and Gas Services Business**

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

**Shipbuilding Technical Services Business**

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

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

### Civil Engineering Business

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

## PROSPECTS

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

The commencement of the operation of the new site in Zhuhai has laid a preliminary foundation for the Group to achieve its objective of identifying the oil and gas fabrication business as its strategic focus and to support the Company's future rapid development. In the next two years, we will continue to invest in the fabrication business where fabrication bases will be built for fabrication of large scale oil and gas and related modules to gradually build up the product series of Jutal for further promoting the Company's future development.

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

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

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

## DIVIDEND

The directors recommend the payment of a final dividend of HK$6 cents per ordinary share for the year ended 31 December 2007.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non executive directors. The Committee has reviewed the Group's results of the year 2007.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The Directors have complied with the standard set out in the Model Code for the year ended 31 December 2007.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares since the day of listing.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 26 May, 2008 to 30 May, 2008 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 23 May, 2008.

On behalf of the Board
**Jutal Offshore Oil Services Limited**
**Wang Lishan**
*Chairman*

Hong Kong, 18 April 2008

*As at the date of this announcement, the executive directors are Mr. Wang Lishan, Mr. Jiang Dong, Mr. Chen Guocai and Mr. Cao Yunsheng; the independent non-executive directors are Mr. Su Yang, Mr. Mai Boliang, Mr. Xiang Bing and Mr. Wang Yu.*