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 2008

Financial Highlights

- Turnover decreased by 13.90% to RMB364,087,000
- Gross profit decreased by 30.40% to RMB65,380,000
- Net profit attributable to the equity holders of the Company decreased by 56.57% to RMB29,545,000
- Basic earnings per share were RMB0.0593
- The directors do not recommend the payment of final dividend for the year ended 31 December 2008

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 2008 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Turnover	*3*	**364,087**	422,856
Cost of sales and service		**(298,707)**	(328,916)
Gross profit		**65,380**	93,940
Other income	*4*	**12,080**	8,591
Administrative expenses		**(56,639)**	(33,146)
Other operating expenses		**(3,266)**	(536)
Profit from operations		**17,555**	68,849
Finance costs	*6*	**(4,988)**	(1,322)
Share of profits of an associate		**16,143**	11,586
Profit before tax		**28,710**	79,113
Income tax expense	*8*	**(277)**	(11,084)
Profit for the year	*7*	**28,433**	68,029
Attributable to:			
Equity holders of the Company		**29,545**	68,029
Minority interests		**(1,112)**	-
		28,433	68,029
Earnings per share	*10*		
		RMB	RMB
Basic		**5.93 CENTS**	14.82 CENTS
Diluted		**5.93 CENTS**	14.71 CENTS

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Non-current assets			
Property, plant and equipment		**84,395**	69,491
Prepaid land lease payments		**951**	1,025
Goodwill		**198,099**	211,366
Investment in an associate		**179,862**	130,018
Finance lease receivables		**3,779**	-
		467,086	411,900
Current assets			
Inventories		**7,898**	5,069
Trade and bills receivables	*11*	**82,316**	42,527
Gross amount due from customers for contract work	*12*	**57,668**	154,850
Prepayments, deposits and other receivables		**20,006**	32,379
Finance lease receivables		**1,089**	-
Due from directors		**1,781**	238
Due from an associate		**76**	1,867
Current tax assets		**1,480**	-
Pledged bank deposits		**4,056**	3,346
Bank and cash balances		**44,063**	148,984
		220,433	389,260
Current liabilities			
Trade and bills payables	*13*	**68,074**	93,699
Gross amount due to customers for contract work	*12*	**1,106**	2,762
Accruals and other payables		**24,742**	86,433
Due to a related company		**1,048**	-
Bank loans		**53,326**	-
Convertible loans	*14*	**-**	61,896
Current tax liabilities		**1,265**	4,091
		149,561	248,881
Net current assets		**70,872**	140,379
Total assets less current liabilities		**537,958**	552,279

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Non-current liabilities			
Deferred tax liabilities		**13,473**	17,752
NET ASSETS		**524,485**	534,527
Capital and reserves			
Share capital		**5,048**	5,048
Reserves		**520,549**	529,479
Equity attributable to equity holders of the Company		**525,597**	534,527
Minority Interests		**(1,112)**	-
		524,485	534,527

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 for oil and gas industry and sales of equipment and materials, fabrication of oil and gas facilities and oil and gas processing skid equipment, provision of technical support services for shipbuilding industry and undertaking civil engineering projects.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for it's accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

3. TURNOVER

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

	2008	2007
	RMB'000	RMB'000
Sales of goods	**21,421**	31,040
Revenue from construction contracts and other services rendered	**342,666**	391,816
	364,087	422,856

4. OTHER INCOME

	2008	2007
	RMB'000	RMB'000
Compensation income	**2,630**	-
Finance income from finance lease	**439**	-
Gain on finance lease	**1,094**	-
Interest income	**2,342**	5,564
Net foreign exchange gains	**5,226**	2,232
Reversal of impairment losses on receivables	**-**	697
Sundry income	**349**	98
	12,080	8,591

5. SEGMENT INFORMATION

(a) **Primary reporting format - business segments**

The Group is organised into four main business segments:

- Provision of technical support 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.

	Provision of technical support 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	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008						
Revenue						
External sales	73,946	159,485	52,111	78,545	-	364,087
Inter-segment sales	-	-	-	-	-	-
Total	73,946	159,485	52,111	78,545	-	364,087
Segment result	11,102	23,517	492	30,269	-	65,380
Other income						12,080
Unallocated expenses						(59,905)
Profit from operations						17,555
Share of profits of an associate						16,143
Finance costs						(4,988)
Profit before tax						28,710
At 31 December 2008						
Segment assets	29,599	147,247	17,191	29,817		223,854
Unallocated assets						463,665
Total assets						687,519
Segment liabilities	21,009	45,995	4,820	8,844		80,668
Unallocated liabilities						82,366
Total liabilities						163,034
Other segment information						
Capital expenditure	1,698	13,083	227	6,532		21,540
Depreciation	1,099	4,281	440	439		6,259
Allowance for receivables	200	4,693	551	88		5,532
Reversal of impairment loss on receivables	-	-	-	-		-

	Provision of technical support 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	Elimination	Consolidation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

(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	
	2008	2007
	RMB'000	RMB'000
The PRC	**264,970**	251,678
Hong Kong	**31,334**	52,889
Macau	**16,639**	14,977
Other Asian Countries	**25,824**	12,838
United Kingdom	**10,209**	69,273
Others	**15,111**	21,201
	364,087	422,856

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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**652,528**	678,628	**21,520**	42,862
Hong Kong	**22,356**	51,974	**20**	29
Macau	**1,570**	7,944	**-**	20
Other Asian Countries	**10,087**	1,045	**-**	-
United Kingdom	**486**	61,222	**-**	-
Others	**492**	347	**-**	-
	687,519	801,160	**21,540**	42,911

6. FINANCE COSTS

	2008 **RMB'000**	2007 RMB'000
Finance leases charges	**-**	1
Interest on bank loans	**2,323**	-
Effective interest expense on convertible loans	**1,921**	932
Others	**744**	389
	4,988	1,322

7. PROFIT FOR THE YEAR

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

	2008 **RMB'000**	2007 RMB'000
Depreciation	**6,259**	3,773
Directors' emoluments		
- As directors	**480**	480
- For management	**2,921**	3,388
- Share-based payments	**1,543**	645
	4,944	4,513
Loss on disposal of property, plant and equipment	**220**	80
Operating lease charges		
- Hire of plant and equipment	**611**	3,866
- Land and buildings	**6,429**	4,756
Auditor's remuneration	**895**	1,112
Cost of inventories sold	**76,857**	118,070
Allowance for inventories	**1,000**	-
Allowance for receivables	**5,532**	2,295
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**88,258**	63,016
Retirement benefits scheme contributions	**2,551**	1,981
Share-based payments	**5,049**	1,481
	95,858	66,478

8. INCOME TAX EXPENSE

	2008 RMB'000	2007 RMB'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**-**	-
Under/(over)-provision in prior years	**14**	(36)
	14	(36)
Current tax - PRC Enterprise Income Tax		
Provision for the year	**4,549**	6,008
Under-provision in prior years	**20**	-
	4,569	6,008
Current tax - Overseas		
Provision for the year	**28**	87
Over -provision in prior years	**(55)**	(75)
	(27)	12
Deferred tax	**(4,279)**	5,100
	277	11,084

(i) Hong Kong Profits Tax

Provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) based on the assessable profits for the 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 18%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law.

Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 18% to 25% progressively from 1 January 2008 onwards. Therefore the applicable tax rate of Shenzhen Jutal is 18%, 20%, 22%, 24% and 25% for the year ended 31 December 2008, 2009, 2010, 2011 and 2012 onwards respectively.

(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 12.5%. It is subject to two years tax exemption for the years 2004 and 2005 and three years 50% tax relief for the year 2007 till 2008. Starting from 1 January 2009, Tianjin Jutal will be taxed at 25%.

(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 25%. It is subjected to two years tax exemption for the years 2008 and 2009 and followed by a reduced PRC enterprise income tax rate at 11%, 12% and 12.5% for the year 2010, 2011 and 2012 respectively. Starting from 1 January 2013, Dalian Jutal will be taxed at 25%.

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

Zhuhai Jutal is a domestic enterprise established in the PRC with applicable tax rate at 25%.

(e) Tianjin Jutal Marine Services Limited ("Jutal Marine")

Jutal Marine is a domestic enterprise established in the PRC with applicable tax rate at 25%.

(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.

(iv) According to the new China Corporate Income Tax Law ("CIT Law") and the detailed implementation regulations, foreign shareholders are subject to a 10% withholding tax ("WHT") for the dividend repatriated by a company in the PRC starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where a company in the PRC declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT.

For dividend which arises from profit of a company in the PRC earned after 1 January 2008, WHT is levied on the foreign shareholders.

9. DIVIDENDS

The directors of the Company do not recommend payment of any interim dividend (2007: Nil) or final dividend (2007: HK$0.06 per ordinary share) for the year ended 31 December 2008.

10. EARNINGS PER SHARE

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

	2008	2007
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**29,545**	68,029

	2008	2007
Number of shares		
Issued ordinary shares at 1 January	**498,000,000**	415,000,000
Effect of issue of shares	**-**	44,115,068
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**498,000,000**	459,115,068
Effect of dilutive potential ordinary shares arising from share options outstanding	**-**	3,411,644
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**498,000,000**	462,526,712

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

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

The effects of convertible loans are anti-dilutive.

11. TRADE AND BILLS RECEIVABLES

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

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

	2008	2007
	RMB'000	RMB'000
0 to 30 days	**21,229**	27,616
31 to 90 days	**49,488**	5,060
91 to 365 days	**10,085**	3,867
Over 365 days	**1,514**	5,984
	82,316	42,527

As at 31 December 2008, trade receivables aged over 90 days includes retentions receivable amounted to RMB7,951,000 (2007: RMB9,260,000).

As at 31 December 2008, an allowance was made for estimated irrecoverable trade receivables of approximately RMB4,044,000 (2007: RMB2,376,000). The movement in the allowance for estimated irrecoverable trade receivables during the year is as follows:

	2008	2007
	RMB'000	RMB'000
At 1 January	**2,376**	904
Impairment loss recognised	**5,200**	2,176
Reversal of impairment losses	**-**	(697)
Uncollective amounts written off	**(3,532)**	(7)
At 31 December	**4,044**	2,376

As of 31 December 2008, trade receivables of RMB7,247,000 (2007: RMB1,807,000) 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:

	2008	2007
	RMB'000	RMB'000
Up to 3 months	**3,245**	1,181
3 to 6 months	**3,184**	320
Over 6 months	**818**	306
	7,247	1,807

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

	2008	2007
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**262,785**	288,836
Less: Progress billings	**(202,540)**	(135,128)
Less: Exchange differences	**(3,683)**	(1,620)
	56,562	152,088
Gross amount due from customers for contract work	**57,668**	154,850
Gross amount due to customers for contract work	**(1,106)**	(2,762)
	56,562	152,088

In respect of construction contracts in progress at the balance sheet date, retentions receivable included in trade receivables amounted to RMB8,136,000 (2007: RMB9,530,000). The amount of retentions expected to be recovered after more than twelve months amounted to RMB739,000 (2007: RMB1,255,000).

The Group did not have any advances received in respect of construction contracts at 31 December 2008. At 31 December 2007, advances received in respect of construction contracts amounted to RMB70,297,000 and are included in accruals and other payables.

13. TRADE AND BILLS PAYABLES

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

	2008	2007
	RMB'000	RMB'000
0 to 30 days	**41,586**	63,456
31 to 90 days	**10,768**	16,085
91 to 365 days	**9,992**	13,494
Over 365 days	**5,728**	664
	68,074	93,699

Included in the Group's trade and bills payable at balance sheet date was trade payable due to an associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") amounted to RMB24,521,000 (2007: Nil).

14. CONVERTIBLE LOANS

The convertible loan notes were issued on 7 September 2007 to Prospering Investments Limited, a company beneficially owned by Mr. Wang Lishan, the chairman, an executive director and a substantial shareholder of the Company. The notes were 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 a conversion price of HK$3.98 per share of the Company.

The loan notes were interest free. The loan notes have not been converted and 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:

	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 in 2007	**932**
Exchange differences	**(5)**
Liability component at 31 December 2007 and 1 January 2008	**61,896**
Interest charged in 2008	**1,921**
Exchange differences	**(4,140)**
Redeemed at par	**(59,677)**
Liability component at 31 December 2008	**-**

The interest charged for the year 2008 is calculated by applying an effective interest rate of 4.78% to the liability component for the 9.2 months period since 1 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

In the year of 2008, the Group recorded a turnover of RMB364,087,000, a decrease of RMB58,769,000 or approximately 13.90% as compared to the year of 2007. Being affected by the deteriorating global economic environment, the Group's orders from overseas, Hong Kong and Macao decreased sharply, especially those overseas projects of oil & gas facilities and oil & gas processing equipment fabrication business and civil engineering business decreased by RMB49,024,000 and RMB16,426,000 respectively. The turnover from the oil & gas technical support services business decreased by RMB10,078,000 or approximately 11.99% from RMB84,024,000 in 2007 to RMB73,946,000 in 2008. The performance of this segment has only been slightly affected from the current economic environment, where the decrease from 2007 was normal business fluctuation. The turnover from shipbuilding technical support services business experienced large growth in 2008 and increased by RMB16,759,000 or approximately 27.12% from RMB61,786,000 in 2007 to RMB78,545,000 in 2008, such increase was mainly because of the stability of the major clients' businesses.

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

	For the financial year ended 31 December					
	2008		**2007**		**2006**	
Products/Services	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**
1. Provision of technical support services for oil & gas industry	**73,946**	**20**	84,024	20	60,803	20
2. Fabrication of oil & gas facilities and oil & gas processing equipment	**159,485**	**44**	208,509	49	145,407	49
3. Provision of technical support services for shipbuilding industry	**78,545**	**22**	61,786	15	46,417	16
4. Civil engineering business	**52,111**	**14**	68,537	16	44,563	15
Total	**364,087**	**100**	**422,856**	**100**	**297,190**	**100**

Cost of sales

The Group's cost of sales and service for 2008 was RMB298,707,000, decreased by 9.18% from RMB328,916,000 in 2007. Cost of sales comprised direct and overhead costs. The direct costs in 2008 amounted to RMB264,856,000, representing 88.67% of the cost of sales, and the amount of direct costs in 2007 was RMB294,575,000, representing 89.56% of the cost of sales. Direct costs mainly comprised the cost of materials, subcontracting costs and labor costs, which were RMB76,857,000, RMB95,368,000 and RMB46,902,000 respectively in 2008, representing 29.02%, 36.01% and 17.71% of the direct costs respectively, and these three elements accounted for 40.08%, 35.88% and 10.90% of the direct costs respectively in 2007. 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 overhead costs in 2008 was RMB33,851,000, decreased by 1.43% from RMB34,341,000 in 2007.

Gross profit

The Group's gross profit in 2008 was RMB65,380,000, decreased by 30.40% from RMB93,940,000 in 2007, with the gross profit margin decreased to 17.96% from 22.22% in 2007. The gross profit margins for the business in all four segments had different degree of decreases, where the decrease in gross profit margin of the oil & gas technical support services business and oil & gas facilities and oil & gas processing equipment fabrication business was mainly due to the adjustment of market strategy for the current economic situations. The Group had lowered its gross profit expectation in bidding projects in 2008 where the decrease in cost sales and services was not relative to the decrease in revenue. The main reason for the decrease in the gross profit margin of the civil engineering business was that the demand fell sharply as a result of the global financial crisis, where the decrease in cost of sales and services was not relative to the decrease in revenue. Furthermore, the subcontracting fees for installation in Hong Kong increased sharply. The main reason for decrease in the gross profit margin of the shipbuilding technical support services business was that the labor costs for the employees rose sharply, with the percentage of the labor costs to the income increased from 24.30% in 2007 to 31.06% in 2008.

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

	For the financial year ended 31 December								
	2008			2007			2006		
Products/Services	**RMB'000**	**Gross profit margin (%)**	**Percentage totTotal gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage totTotal gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage totTotal gross profit (%)**
1. Provision of technical support services for oil & gas industry	**11,102**	**15**	**17**	15,966	19	17	15,636	26	22
2. Fabrication of oil & gas facilities and oil & gas processing equipment	**23,517**	**15**	**36**	46,203	22	49	27,137	19	37
3. Provision of technical support services for shipbuilding industry	**30,269**	**39**	**46**	27,679	45	30	18,882	41	26
4. Civil engineering business	**492**	**1**	**1**	4,092	6	4	10,827	24	15
Total	**65,380**		**100**	**93,940**		**100**	**72,482**		**100**

Other incomes

Other incomes increased by 40.62% from 2007 and reached RMB12,080,000, which mainly comprised the interest income of RMB2,342,000, net foreign exchange gains of RMB5,226,000, compensation income of RMB2,630,000, gain on finance lease arrangement and finance income from finance lease of RMB1,533,000, and miscellaneous income of RMB349,000.

Administrative expenses

Administrative expenses mainly comprised wages, entertainment expenses, traveling expenses, depreciation, leasing expenses, auditors remuneration, intermediary service fees for listed companies and miscellaneous daily operating expenses. The administrative expenses increased by RMB23,493,000 or approximately 70.88% compared to that of 2007, to RMB56,639,000 in 2008. The increase in the administrative expense in 2008 mainly comprised the increase in wages and employee benefits of RMB11,450,000 (including the insurances expense for employees and the share-based payments expenses charged in the year for granting share options to the Group's directors and eligible employees), representing an increase of 73.41% compared to that of 2007; The increase in allowance for receivables and allowance for obsolete stocks of RMB4,237,000, representing an increase of 184.70% compared to that of 2007; The increase in entertainment fees of RMB1,621,000, representing an increase of 84.97% compared to that of 2007; The increase in traveling expenses of RMB1,468,000, representing an increase of 78.84% compared to that of 2007. The main reasons for the increase in the wages and employee benefits were mainly the result of the increase in the number managerial personnel due to the establishment of new subsidiaries, employment of several foreign senior officers, increase in average remuneration for the managerial personnel, and issuance of the share options to principal managerial personnel. The main reason for the increase in the entertainment and traveling expenses was that the Group had adopted more aggressive market development strategies in 2008; and the main reasons for increase in the allowance made for receivables and obsolete stocks were that, affected by the global financial crisis, some international clients may have liquidity problems and the prices for several types of raw materials dropped significantly, and the Group made such provisions based on the current market condition.

Finance costs

The finance costs in 2008 increased by 277.43% to RMB4,988,000 compared to that of 2007, which mainly comprised bank loans interest of RMB2,323,000 and effective interest expenses on convertible loans of RMB1,921,000. The convertible loans were redeemed at par during the year.

Share of the profits of an associate

The Group held 30% of the equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"). Net profit of of Penglai Jutal for the year 2008 amounts to RMB53,812,000. Under the equity method of accounting, the Group share profit from Penglai Jutal of RMB16,143,000.

Minority interest

Tianjin Jutal Marine Services Limited, a subsidiary in which the Group has 55% equity interest, had incurred loss of RMB2,470,000 for the year. The loss for the year shared by the minority equity holder in proportion of the equity interest amounts to RMB1,112,000.

Net profit attributable to the epuity holder of the company

The net profit attributable to the shareholders of the Company in 2008 amounts to RMB29,545,000, a decrease of 56.57% from 2007. The basic earnings per share were RMB0.0593.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's balance of funds (cash and bank deposits) was about RMB44,750,000 (RMB149,725,000 as of 31 December 2007), the net cash used in operating activities was RMB6,617,000, the net cash used in investing activities was RMB57,493,000 and the net cash used in from financing activities was RMB34,438,000.

At 31 December 2008, banking facilities of RMB201,452,000were granted to the Group, of which RMB89,378,000 had been utilized, and facilities of approximately RMB112,074,000 were available, including banking facilities of RMB70,660,000 which can be obtained by the group in form of bank loans. As at 31 December 2008, the balance of the short-term bank borrowings was RMB 53,326,000 .

3. CAPITAL STRUCTURE

As at 31 December 2008, the Company's share capital comprised 498,000,000 ordinary shares (2007: 498,000,000 ordinary shares).

As at 31 December 2008, the Group's net assets amounted to approximately RMB524,485,000 (2007: RMB534,527,000), including non-current assets of approximately RMB467,086,000 (2007: RMB411,900,000), net current assets of approximately RMB70,872,000 (2007: RMB140,379,000), and non-current liabilities of approximately RMB13,473,000 (2007: RMB17,752,000).

4. MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal in 2008.

The Group will continue seeking for acquisition opportunities of those companies with their businesses similar or complementary to the Group for the purpose of strengthening the competitiveness. However, the Group had not yet identified any target for acquisition for the current reporting year ended.

5. MATERIAL INVESTMENT

In April 2008, the Group had further injected USD4,800,000 (approximately to RMB33,570,000) to maintain its 30% equity interest in Penglai Jutal. The funds were used for future development of Penglai Jutal.

6. FUTURE PLANS FOR SIGNIFICANT INVESTMENT

Considering that phase I of the Zhuhai fabrication site has not been fully utilised due to the aggravated market condition in 2008. The management of the Company has decided to suspend the construction of phase II of the Zhuhai fabrication site.

In September 2008, Shenzhen Jutal Machinery Equipment Co., Ltd. ("Shenzhen Jutal"), a wholly-owned subsidiary of the Group, and Hefei Hongzhou Shipping Engineering Co., Ltd. ("Hongzhou Shipping") established a new company in Tianjin, i.e. Tianjin Jutal Marine Services Limited ("Jutal Marine"). Shenzhen Jutal and Hongzhou Shipping held 55% and 45% of the equity interest of Jutal Marine respectively. Under the terms and conditions of the agreement with Hongzhou Shipping, Jutal Marine has entered into an acquisition agreement with Hongzhou Shipping after its establishment, pursuant to which Jutal Marine agreed to acquire and Hongzhou Shipping agreed to sell a full revolving hoisting engineering vessel named "HongLi 900" ("HongLi 900") at a consideration of RMB125,000,000. Pursuant to the acquisition agreement, Jutal Marine has the right to terminate the agreement if Hongli 900 cannot satisfy the technical requirement within the three months period and the prospective lessee cannot use Hongli 900 in their offshore oil platform construction projects. In the opinion of the directors of the Company, Hongli 900 cannot be recognised as the Group's property, plant and equipment as at 31 December 2008, on the grounds that Hongli 900 was not yet in the condition necessary for it to be capable of operating in the manner intended by management as the technical requirement has not been met as at the year end. As at 31 December 2008, Shenzhen Jutal had invested RMB5,500,000 into Jutal Marine, and once the Group decides to acquire "HongLi 900", Jutal Marine will pay Hongzhou Shipping RMB125,000,000 .

7. RISK OF FOREIGN EXCHANGE

Although the main production and operation of the Group take place in Mainland China, the Group still has businesses internationally where the overseas assets are priced in USD and HKD. The changes in exchange rate of RMB which is the main functional currency, against USD and HKD will expose to the Group to currency exchange risks. For this reason, the Group will endeavor to reduce the amount of the assets priced in USD or HKD outside Mainland China; meanwhile, the Group will conduct rolling estimates of the exchange rate, in order to consider any possible currency exchange risks in the business contract. The Group neither participated in any derivative transaction with high risks nor signed any leveraged foreign exchange contracts.

8. ASSETS PLEDGED BY THE GROUP

As at 31 December 2008, other than bank deposits of RMB4,056,000 which have been pledged as security for the performance bonds and other banking facilities, there are no other pledged assets.

9. CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any material contingent liabilities.

10. EMPLOYEES INFORMATION AND REMUNERATION POLICY

As at 31 December 2008, the Group had 1,843 employees in total (2007: 1515), including 328 management and technical staff (2007: 312) and1585 technicians (2007: 1203).

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 and encouraging staff to continue their learning, and formulate an annual training plan.

BUSINESS REVIEW

The global financial crisis brought turmoil and uncertainty in 2008. Unavoidably, our business has been affected to some extent under such circumstance. Compared with that of previous year, our overall performance, especially in respect of fabrication business has greatly declined. However we still scored a growth in respect of the shipbuilding technical support services and obtained preliminary results on the expansion of client base and new businesses.

Provision of technical support services for oil & gas industry

The business of providing oil & gas technical support services maintained steady. While maintaining and solidifying our existing client base, we prospected new clients and provided multiple services such as fabrication, installation, renovation, reparation and offshore engineering. We have strengthened the training for operators in this year to improve their professional skills and enable them to be familiar with regulations and rules for various platforms, thus improving the productivity and capacity, reducing subcontracting and labour costs, enhancing competitiveness and optimizing our organizational structure. In 2008, we realized better results in the offshore oil & gas services business in Tianjin Bohai Sea area in North China. We have also established new service mode focusing on design service, thereby improving our overall quality and performance. As our conventional and essential business, the offshore oil & gas services business will be developed with comprehensive and detailed safety management, quick response, excellent services, first-class quality and top ranking. Services as our target for daily services, meanwhile we will exert great efforts to develop project designs to improve our repairing techniques, enhance overall offshore renovation capacity, develop related business according to the South-to-North integration planning, and to explore opportunely to overseas market.

Establishment of a new subsidiary

As mentioned above, at the end of September 2008, Shenzhen Jutal and Hongzhou Shipping established Jutal Marine. Jutal Marine planned to acquire the “Hong Li 900”, a full revolving hoisting vessel owned by Hongzhou Shipping, for the purpose of developing the marine engineering services such as offshore installation.

The establishment of Jutal Marine marked another advance in the offshore oil & gas service business. We realized a change from conventional work force and technical services to resource oriented services. The exploration and exploitation of offshore oil and gas will be the focus of the work plan for energy in China, and will bring strong demand of offshore projects and services. The business of Jutal Marine is expected to generate a stable cash flow.

Fabrication of oil & gas facilities and oil & gas processing equipment

Because of the changes in the global market, some key- followed-up projects were cancelled or delayed in this year, thus affecting the annual performance of our fabrication business.

In 2008, the oil & gas processing equipment fabrication department finished its transition of business and personnel from Shenzhen to Zhuhai, and carried out subsequent construction, equipment commissioning and acceptance and production preparation in the Zhuhai fabrication site, which enabled the overall development of the business. We will make further efforts in respect of market, cost and efficiency.

The Group acquired 30% of the equity interest of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal") at the end of 2007, and injected an additional capital of USD4.8 million in the first half of 2008 in proportion to its equity interest in Penglai Jutal for the subsequent constructions in Penglai Jutal.

Based on domestic offshore project market, Penglai Jutal continuously extended its market globally, persisted in technical and management innovation, low-cost and high-efficiency development, and strove to build itself into a professional energy service company with first-class management and stronger international competitiveness and influences. Domestically, the projects contracted by Penglai Jutal such as Ledong project (total jacket weight: 11,236T), Wenchang project, Bozhong Project, etc. were completed one after another, and over 20 jacket projects such as Bonan and Bozhong (Phase II) Project, Suizhong Project, Jinxian Project, have commenced. Internationally, Penglai Jutal successfully completed construction of a single point mooring system for the Blue Water company in the Netherlands, signed a long-term cooperation agreement with Amclyde, obtained nine floating crane projects, and commenced the FPSO module project for Norway Aker company and the manufacturing project of lower part facilities of the Awilco deepwater drilling rig. The processing capacity of Penglai Jutal is recognised by more and more experts in the business. The large module workshop to be completed will further improve the production chain of Penglai Jutal, enhance its market competitiveness, and help the expansion of wider international offshore engineering market.

Provision of technical support services for shipbuilding industry

We realized a favorable growth in the shipbuilding technical services business in 2008. Coating services contributed more than 50% of the growth in this business segment, and we continued to keep this strength. In addition to the provision of electrical installation and commissioning services for shipbuilding, we also undertook electrical & instrument projects for drilling rigs, and commenced involvement in electrical & instrument services for the large ships. The Group's wholly-owned subsidiary in Dalian provides chord legs cracks repairing and chord legs extension for drilling rigs, structure fabrication and repairing for modules. With the improvement of the management and skill level, we can guarantee our schedule and quality control of the projects.

We also made progress in prospecting new clients and contacted some ship factories and marine engineering companies to obtain orders.

Civil engineering business

As a result of the impact of economic crisis, the market of this business segment shrunk dramatically and the current situation cannot predict when the suspense can be restored, therefore we continue to follow up possible market opportunities, continue to do a good job of existing contracts, and make efforts to reduce expenses.

PROSPECTS

2009 is still a year full of various uncertainties. Even though the external environment brought difficulties to our operation, but also given the opportunity to reflect on and do internal construction to prepare for further business development.

At the beginning of 2009, we restructured the corporate governance and business segments, highlighting the marketing targets, building core competitiveness, development of talents, implementation of quality, safety, environmental protection and health management, and spared no efforts to create new operation situations.

A great deal of capital will be expected to inject into the development of the offshore oil & gas industry in China, indicating an enormous potential market demands. We will concentrate our competitive talents force for market development in 2009, seize the opportunities to expand the domestic market, and take the initiative to actively develop the international market. Therefore, on the one hand, we need to follow up and understand the market information in a timely manner to seize the market opportunities, and on the other, we shall do well the biding/tendering management, take actions according to definite targets we made, and achieve the cost, profits and cash flow management objectives

We established the design center to endeavor to foster and construct the design capacity in the coming years in order to improve our core competitiveness in respect of fabrication business and service business, increase the added value. We deeply learned that continuous operation and development must depend on construction of core competitiveness, and therefore, the Company will persistently and patiently advance construction and improvement of the products, services, management and corporate culture in the coming years. During such long-term process, fostering talents is essential.

We believe that depending on well-defined strategy guidelines and effective implementation, relying on our excellent management team and enthusiastic employees, we will hold together to overcome the difficulties and take the initiative to make progress, and certainly bring a satisfying return to our shareholders.

DIVIDEND

The directors of the Company do not recommend any payment of final dividend for the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors. The Audit Committee has reviewed the Group's results of the year ended 31 December 2008.

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 of Hong Kong Limited for the year ended 31 December 2008.

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. Having made specific enquiry of all directors, the directors have complied with the standard set out in the Model Code for the year ended 31 December 2008.

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.

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

Hong Kong, 3 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. Lan Rong, Mr. Xiang Qiang and Mr. Wang Yu.