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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 2009

Financial Highlights

- Turnover increased by 8.80% to RMB396,111,000
- Gross profit increased by 37.62% to RMB89,978,000
- Net profit attributable to the owners of the Company increased by 125.78% to RMB66,706,000
- Basic earnings per share was RMB0.1339
- The directors do not recommend the payment of final dividend for the year ended 31 December 2009

The board of directors (the "board") of Jutal Offshore Oil Services Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 together with the comparative figures for the year of 2008 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**208,453**	84,395
Prepaid land lease payments		**877**	951
Goodwill		**197,874**	198,099
Investment in an associate		**221,107**	179,862
Finance lease receivables		**2,609**	3,779
Deferred tax assets		**1,485**	-
		632,405	467,086
Current assets			
Inventories		**5,034**	7,898
Trade and bills receivables	11	**93,382**	82,316
Gross amount due from customers for contract work	12	**91,268**	57,668
Prepayments, deposits and other receivables		**24,668**	20,006
Finance lease receivables		**1,170**	1,089
Due from directors		**654**	1,781
Due from an associate		**9**	76
Current tax assets		**1,909**	1,480
Pledged bank deposits		**5,577**	4,056
Bank and cash balances		**37,052**	44,063
		260,723	220,433
Current liabilities			
Trade and bills payables	13	**89,497**	68,074
Gross amount due to customers for contract work	12	**13,815**	1,106
Accruals and other payables		**64,162**	24,742
Due to a related company		**1,791**	1,048
Bank loans		**52,520**	53,326
Current tax liabilities		**1,673**	1,265
		223,458	149,561
Net current assets		**37,265**	70,872
Total assets less current liabilities		**669,670**	537,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2009

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

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, the People's Republic of China (the "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 and related services for oil and gas industry and sales of equipment and materials, fabrication of oil and gas facilities and oil and gas processing skid equipment, provision of technical support services for shipbuilding industry and engaged in civil engineering business.

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

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

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

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

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

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

3. TURNOVER

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

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

4. OTHER INCOME

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

5. SEGMENT INFORMATION

The Group has four reportable segments as follows:

(a) Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials
(b) Fabrication of oil and gas facilities and oil and gas processing skid equipment
(c) Civil engineering business
(d) Provision of technical support services for shipbuilding industry

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

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

5. SEGMENT INFORMATION (CONT'D)

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

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

5. SEGMENT INFORMATION (CONT'D)

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

5. SEGMENT INFORMATION (CONT'D)

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

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

5. SEGMENT INFORMATION (CONT'D)

Geographical information:

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

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

Revenue from major customers:

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging the following:

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

8. INCOME TAX EXPENSE

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

(a) Hong Kong Profits Tax

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

(b) PRC Enterprise Income Tax

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

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

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

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

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

8. INCOME TAX EXPENSE (CONT'D)

(b) PRC Enterprise Income Tax (cont'd)

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

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

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE

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

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

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**498,000,000**	498,000,000
Effect of dilutive potential ordinary shares arising from share options outstanding	**-**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**498,000,000**	498,000,000

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

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

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 directors.

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

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

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

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

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

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

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

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

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

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:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

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

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

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

Cost of sales and service

Cost of sales and service of the Group for year 2009 amounted to RMB306,133,000, represents an increase of 2.49% compared with RMB298,707,000 for year 2008. Cost of sales and service comprised of direct costs and manufacturing overheads. Direct cost for the year amounted to RMB262,326,000, represents approximately 85.69% of total cost of sales and service, while in year 2008 direct costs amounted to

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

Gross profit

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

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

	For the financial year ended 31 December								
	2009			2008			2007		
Products/Services	**RMB'000**	**Gross profit margin (%)**	**Percentage to Total gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage to Total gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage to Total gross profit (%)**
1. Provision of technical support and related services for oil and gas industry and sales of equipment and materials	**36,075**	**33**	**40**	11,102	15	17	15,966	19	17
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**38,661**	**18**	**43**	23,517	15	36	46,203	22	49
3. Provision of technical support services for shipbuilding industry	**20,147**	**33**	**22**	30,269	39	46	27,679	45	30
4. Civil engineering business	**(4,905)**	**(54)**	**(5)**	492	1	1	4,092	6	4
Total	**89,978**		**100**	65,380		100	93,940		100

Other income

Other income in year 2009 has increased by 59.61% to RMB19,281,000 compared with year 2008. Other income mainly comprised of compensation income of RMB18,000,000, interest income of RMB281,000, finance income from finance leases of RMB364,000, reversal of impairment losses on receivables of RMB359,000, and miscellaneous income of RMB277,000. The compensation income represents the compensation income received from customer for installation preparation cost and compensation for the period pending the operation of the "Hongli 900" full revolving hoisting vessel before entering into business agreement with the customer.

Administrative expenses

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

Finance costs

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

Share of the profits of an associate

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

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

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

2. LIQUIDITY AND FINANCIAL RESOURCES

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

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

3. CAPITAL STRUCTURE

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

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

4. SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

5. RISK OF FOREIGN EXCHANGE

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

6. ASSETS PLEDGED BY THE GROUP

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

7. CONTINGENT LIABILITIES

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

8. CAPITAL MANAGEMENT

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

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

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

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

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

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had total 1,889 employees (2008: 1,843), of which 346 (2008: 328) were management and technical staff, and 1,543 (2008: 1,515) were technicians.

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

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

BUSINESS REVIEW

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

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

ESTABLISHMENT OF DESIGN CENTRE

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

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

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

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

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

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

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

PROVISION OF TECHNICAL SUPPORT SERVICES FOR SHIPBUILDING INDUSTRY

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

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

INVESTMENT IN AN ASSOCIATE

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

PROSPECTS

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

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

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

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

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

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

DIVIDEND

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

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 2009.

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 2009.

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 2009.

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, 12 April 2010

As at the date of this announcement, the executive directors are Mr. Wang Lishan, Mr. Cao Yunsheng, Mr. Chen Guocai and Mr. Tian Huiwen; the independent non-executive directors are Mr. Su Yang, Mr. Lan Rong, Mr. Xiang Qiang and Mr. Gao Liangyu.