JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03303)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

Financial Highlights

- Turnover increased by 15.25% to RMB493,348,000
- Gross profit increased by 4.55% to RMB100,192,000
- Net profit attributable to the owners of the Company decreased by 86.21% to RMB9,306,000
- Basic and diluted earnings per share were RMB0.0169
- The directors do not recommend the payment of final dividend for the year ended 31 December 2011

The board of directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	3	**493,348**	428,066
Cost of sales and service		**(393,156)**	(332,235)
Gross profit		**100,192**	95,831
Other income	4	**2,423**	19,048
Administrative expenses		**(83,427)**	(69,161)
Other operating expenses		**(156)**	(1,435)
Profit from operations		**19,032**	44,283
Finance costs	6	**(4,269)**	(4,640)
Share of profits of an associate		**2,289**	42,046
Profit before tax		**17,052**	81,689
Income tax expense	7	**(7,746)**	(12,056)
Profit for the year	8	**9,306**	69,633
Attributable to:			
Owners of the Company		**9,306**	67,472
Non-controlling interests		**-**	2,161
		9,306	69,633
Earnings per share	10	**RMB**	RMB
Basic		**1.69 cents**	13.55 cents
Diluted		**1.69 cents**	13.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**9,306**	69,633
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	**(12,883)**	(7,439)
Total comprehensive income for the year	**(3,577)**	62,194
Attributable to:		
Owners of the Company	**(3,577)**	60,033
Non-controlling interests	**-**	2,161
	(3,577)	62,194

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**308,334**	93,906
Prepaid land lease payments		**742**	809
Goodwill		**182,135**	191,129
Intangible assets		**2,522**	3,319
Investment in an associate		**265,442**	263,153
Finance lease receivables		**-**	1,351
Deferred tax assets		**2,469**	-
		761,644	553,667
Current assets			
Inventories		**7,554**	7,439
Trade and bills receivables	11	**69,979**	73,353
Gross amount due from customers for contract work	12	**121,698**	78,577
Prepayments, deposits and other receivables		**24,884**	16,510
Finance lease receivables		**1,351**	1,257
Due from directors		**1,074**	630
Due from an associate		**36**	-
Current tax assets		**222**	606
Pledged bank deposits		**1,770**	3,234
Bank and cash balances		**69,347**	87,989
		297,915	269,595
Current liabilities			
Trade and bills payables	13	**65,704**	68,654
Gross amount due to customers for contract work	12	**5,648**	3,049
Accruals and other payables		**40,134**	34,540
Bank loans		**97,000**	38,000
Current tax liabilities		**3,436**	4,291
		211,922	148,534
Net current assets		**85,993**	121,061
Total assets less current liabilities		**847,637**	674,728

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2011

	2011	2010
	RMB'000	RMB'000
Non-current liabilities		
Deferred tax liabilities	**22,575**	18,336
NET ASSETS	**825,062**	656,392
Capital and reserves		
Share capital	**6,084**	5,048
Reserves	**818,978**	651,344
Equity attributable to owners of the Company	**825,062**	656,392

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. 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 supporting and related services for oil and gas industry and sales of equipment and materials, fabrication of oil and gas facilities and oil and gas processing skid equipment and provision of technical support services for shipbuilding industry.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

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 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies 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, rental income from leases of a vessel, revenue from construction contracts and other services rendered are as follows:

	2011	2010
	RMB'000	RMB'000
Sales of goods	**24,934**	24,607
Vessel leasing	**-**	2,410
Revenue from construction contracts and other services rendered	**468,414**	401,049
	493,348	428,066

4. OTHER INCOME

	2011	2010
	RMB'000	RMB'000
Compensation income	**-**	3,436
Finance income from finance lease	**195**	282
Gain on disposals of property, plant and equipment	**-**	11,114
Interest income	**676**	568
Net foreign exchange gains	**1,466**	683
Reversal of allowance for trade and other receivables	**-**	380
Reversal of allowance for inventories	**-**	66
Sundry income	**86**	2,519
	2,423	19,048

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.

5. SEGMENT INFORMATION (CONT'D)

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, current tax assets, deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank loans, current tax liabilities, deferred tax liabilities and other corporate liabilities.

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

	Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	Fabrication of oil and gas facilities and oil and gas processing skid equipment	Civil engineering business	Provision of technical support services for shipbuilding industry	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
Revenue from external customers	**89,532**	**330,456**	-	**73,360**	**493,348**
Segment profit/(loss)	**34,790**	**55,792**	**(50)**	**9,660**	**100,192**
Depreciation and amortisation	**2,529**	**7,908**	-	**1,287**	**11,724**
Other material non-cash items: Allowance for trade and other receivables	**155**	**420**	-	**107**	**682**
Additions to segment non-current assets	**3,167**	**221,515**	-	**792**	**225,474**
As at 31 December 2011					
Segment assets	**32,678**	**436,044**	-	**34,148**	**502,870**
Segment liabilities	**14,981**	**54,913**	-	**20,642**	**90,536**
Year ended 31 December 2010					
Revenue from external customers	82,084	277,962	1,680	66,340	428,066
Segment profit	23,088	55,858	577	16,308	95,831
Depreciation and amortisation	7,816	5,948	5	1,263	15,032
Other material non-cash items: Allowance for trade and other receivables	162	680	-	18	860
Additions to segment non-current assets	1,261	12,853	2	903	15,019
As at 31 December 2010					
Segment assets	30,932	190,699	2,057	20,592	244,280
Segment liabilities	11,159	60,038	433	16,496	88,126

5. SEGMENT INFORMATION (CONT'D)

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

	2011 RMB'000	2010 RMB'000
Profit or loss		
Total profit or loss of reportable segments	**100,192**	95,831
Unallocated amounts:		
Finance costs	**(4,269)**	(4,640)
Other income	**2,423**	19,048
Other corporate expenses	**(83,583)**	(70,596)
Share of profits of an associate	**2,289**	42,046
Consolidated profit before tax for the year	**17,052**	81,689
Assets		
Total assets of reportable segments	**502,870**	244,280
Unallocated amounts:		
Bank and cash balances	**69,347**	87,989
Pledged bank deposits	**1,770**	3,234
Current tax assets	**222**	606
Deferred tax assets	**2,469**	-
Finance lease receivables	**1,351**	2,608
Investment in an associate	**265,442**	263,153
Goodwill	**182,135**	191,129
Other corporate assets	**33,953**	30,263
Consolidated total assets	**1,059,559**	823,262
Liabilities		
Total liabilities of reportable segments	**90,536**	88,126
Unallocated amounts:		
Bank loans	**97,000**	38,000
Current tax liabilities	**3,436**	4,291
Deferred tax liabilities	**22,575**	18,336
Other corporate liabilities	**20,950**	18,117
Consolidated total liabilities	**234,497**	166,870

5. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong and Macau	**431,210**	376,210	**759,134**	553,610
Hong Kong	**2,845**	7,747	**34**	48
Macau	**-**	213	**7**	9
Other Asian Countries	**33,788**	31,086	**-**	-
Others	**25,505**	12,810	**-**	-
Consolidated total	**493,348**	428,066	**759,175**	553,667

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

6. FINANCE COSTS

	2011	2010
	RMB'000	RMB'000
Interest on bank loans	**3,243**	3,443
Others	**1,026**	1,197
	4,269	4,640

7. INCOME TAX EXPENSE

	2011	2010
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**5,744**	8,025
(Over)/under-provision in prior years	**(325)**	529
	5,419	8,554
Deferred tax	**2,327**	3,502
	7,746	12,056

7. INCOME TAX EXPENSE (CONT'D)

(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

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. The tax rate applicable to Shenzhen Jutal for the year ended 31 December 2011 is 24% (2010: 22%). The applicable tax rate of Shenzhen Jutal will increase to 25% for the year ended 31 December 2012 and thereafter.

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

Dalian Jutal is a sino-foreign equity joint venture operated in Dalian Economic and 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 forth profit-making year for the financial year ended 31 December 2011 and was therefore entitled to a 50% relief from PRC enterprise income tax. The tax rate applicable to Dalian Jutal for the year ended 31 December 2011 is 12% (2010: 11%).

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

Zhuhai Jutal is a domestic enterprise established in the PRC. Zhuhai Jutal was approved to recognise as a new and high technology enterprise in year 2010 and is entitled to a preferential treatment to allow Zhuhai Jutal to enjoy a reduced income tax rate of 15% from the year 2010 till year 2012.

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

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

8. PROFIT FOR THE YEAR

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

	2011	2010
	RMB'000	RMB'000
Amortisation of patents and computer software	**797**	664
Depreciation	**10,927**	14,368
Directors' emoluments	**4,806**	5,430
Loss on disposal of property, plant and equipment	**16**	-
Operating lease charges		
- Hire of plant and equipment	**791**	239
- Land and buildings	**8,614**	7,814
Auditor's remuneration	**1,079**	1,156
Cost of inventories sold	**128,610**	62,814
Allowance for trade and other receivables	**682**	860
Staff costs including directors' emoluments		
- Salaries, bonuses and allowances	**158,302**	129,969
- Retirement benefits scheme contributions	**5,038**	3,614
- Share-based payments	**3,099**	1,797
	166,439	135,380

9. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31 December 2011.

During the year ended 31 December 2011, the Company declared and paid a final dividend for the year ended 31 December 2010 of HK$0.03 per ordinary share, equivalent to RMB0.0255 per share, with an aggregate amount of RMB 12,699,000.

10. EARNINGS PER SHARE

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

	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**9,306**	67,472

	2011	2010
Number of shares		
Issued ordinary shares at 1 January	**498,000,000**	498,000,000
Effect of consideration shares issued	**53,979,413**	-
Effect of shares issued under share option scheme	**58,904**	-
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**552,038,317**	498,000,000
Effect of dilutive potential ordinary shares arising from share options outstanding	-	590,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**552,038,317**	498,590,000

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 potential ordinary shares for the year ended 31 December 2011.

11. TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables mainly represent progress billings receivable from contract customers.

The Group's trading terms with contract 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:

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**35,900**	27,530
31 to 90 days	**10,270**	40,557
91 to 365 days	**21,402**	3,770
Over 365 days	**2,407**	1,496
	69,979	73,353

As at 31 December 2011, trade and bills receivables aged over 90 days includes retentions receivable which amounted to RMB3,430,000 (2010: RMB1,286,000).

As at 31 December 2011, an allowance was made for estimated irrecoverable trade and bills receivables of approximately RMB1,011,000 (2010: RMB363,000). The reconciliation of allowance for trade and bills receivables is as follows:

	2011	2010
	RMB'000	RMB'000
At 1 January	**363**	675
Allowance for the year	**648**	658
Reversal of allowance	**-**	(361)
Uncollective amounts written off	**-**	(609)
At 31 December	**1,011**	363

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

	2011	2010
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**465,796**	405,200
Less: Progress billings	**(346,604)**	(328,978)
Less: Exchange differences	**(3,142)**	(694)
	116,050	75,528
Gross amount due from customers for contract work	**121,698**	78,577
Gross amount due to customers for contract work	**(5,648)**	(3,049)
	116,050	75,528

In respect of construction contracts in progress at the end of reporting period, retentions receivable included in trade and bills receivables amounted to RMB4,745,000 (2010: RMB1,286,000). The amount of retentions receivable at 31 December 2011 and 2010 are expected to be recovered within twelve months.

Advances received in respect of construction contracts amounted to RMB1,821,000 at 31 December 2011 (2010: RMB3,072,000) 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:

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**39,751**	31,570
31 to 90 days	**13,168**	26,948
91 to 365 days	**8,638**	9,119
Over 365 days	**4,147**	1,017
	65,704	68,654

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

In year 2011, the Group recorded turnover of approximately RMB493,348,000, representing an increase of 15.25% or RMB65,282,000 compared with year 2010. All the Group's reportable segments other than civil engineering business recorded revenue growth. In particular, revenue from the Group's major business of fabrication of oil and gas facilities and oil and gas processing skid equipment business increased by 18.89% or RMB52,494,000 over last year.

The table below set out the analysis of turnover by product or service for the preceding three financial years:

	For the financial year ended 31 December					
	2011		2010		2009	
Products/Services	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**
1. Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials	**89,532**	**18**	82,084	19	108,235	28
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**330,456**	**67**	277,962	65	218,324	55
3. Provision of technical support services for shipbuilding industry	**73,360**	**15**	66,340	15	60,404	15
4. Civil Engineering business	-	-	1,680	1	9,148	2
Total	**493,348**	**100**	428,066	100	396,111	100

Cost of sales and service

Cost of sales and service of the Group for the year amounted to approximately RMB393,156,000, representing an increase of 18.34% or RMB60,921,000 compared with 2010.

Gross profit

The total gross profit of the Group amounted to approximately RMB100,192,000 in year 2011, representing an increase of 4.55% compared with RMB95,831,000 in year 2010. The overall gross profit margin was decreased from 22.39% in 2010 to 20.31%. The gross profit margin from the provision of technical support services for shipbuilding industry business decreased from 25% last year to 13%. The decline in gross profit margin was mainly attributable to business restructuring and vigorous competition. The gross profit margin of the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business has been increased from 28% in last year to 39%, mainly due to the Group's active exploration of new customers and business and development of new high technology businesses, the implementation of internal refined management while fully utilize its own employees to reduce its reliance on external subcontracting services and lower costs. In view of its marketing strategy of lower gross profit margins for certain new business as well as our first attempts in a number of key projects, the gross profit margin of the fabrication of oil and gas facilities and oil and gas processing skid equipment business was lower than that of 2010.

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

	For the financial year ended 31 December								
	2011			2010			2009		
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 supporting and related services for oil and gas industry and sales of equipment and materials	**34,790**	**39**	**35**	23,088	28	24	36,075	33	40
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**55,792**	**17**	**55**	55,858	20	58	38,661	18	43
3. Provision of technical support services for shipbuilding industry	**9,660**	**13**	**10**	16,308	25	17	20,147	33	22
4. Civil Engineering business	**（50）**	**0**	**0**	577	34	1	(4,905)	(54)	(5)
Total	**100,192**		**100**	95,831		100	89,978		100

Other income

Other income of the Group was decreased by 87.28% compared with year 2010 to RMB2,423,000, primarily due to the substantial decrease in gain on disposals of property, plant and equipment and compensation income during the reporting year (In 2010, gain on disposals of property, plant and equipment amounted to RMB11,114,000 and compensation income amounted to RMB3,436,000, mainly represents gain on disposal of vessel – "Hongli 900" and the related compensation received.)

Administrative expenses

Administrative expenses were increased by 20.63% or RMB14,266,000 compared with year 2010 to RMB83,427,000, which mainly comprised of management staff's remuneration, market development and entertainment expenses, travelling expenses, motor vehicle expenses, insurance expenses and share options expenses. The increase in total administrative expenses is mainly due to increase in headcount of management staff, which results in an corresponding increase in salary level, premium, housing provident funds and welfare expenses while travelling expenses increased due to the Group's strenuous business expansion.

Finance costs

Finance costs reached RMB4,269,000 in 2011, which mainly comprised of bank loans interest of RMB3,243,000 and bank charges and other finance costs of RMB1,026,000.

Share of profits of an Associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal"). In year 2011, major contracts of Penglai Jutal were signed during the second half of the year, leading to uneven and substantial decrease in the amount of works in 2011 as compared with 2010. In 2011, Penglai Jutal recorded net profit after tax amounted to RMB7,630,000. The Group's share of profits from the associate was amounted to RMB2,289,000 under the equity method of accounting.

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

In year 2011, net profit attributable to owners of the Company was amounted to RMB9,306,000. Basic and diluted earnings per share are RMB0.0169.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB70,261,000 (31 December 2010: RMB90,196,000). During the year, cash outflow from operating activities amounted to RMB19,370,000, cash outflow from investing activities amounted to RMB42,465,000, and cash inflow from financing activities amounted to RMB45,787,000.

As at 31 December 2011, the total banking facilities of the Group amounted to RMB257,563,000, of which RMB118,190,000 was utilised and RMB139,373,000 was unutilised. Out of the unutilised banking facilities, RMB13,100,000 was available for raising bank loans. As at 31 December 2011, bank loans of the Group amounted to RMB97,000,000.

3. CAPITAL STRUCTURE

During the year, the Company issued 124,699,278 consideration shares as part of the purchase consideration for the acquisition of 100% equity interests of Zhuhai Prospering Offshore Oil Engineering Limited ("Zhuhai Prospering"). Furthermore, during the year share options were exercised by option holders to subscribe for a total of 100,000 ordinary shares of the Company.

As at 31 December 2011, the share capital of the Company comprised of 622,799,278 ordinary shares (2010: 498,000,000 ordinary shares).

As at 31 December 2011, the net assets of the Group amounted to approximately RMB825,062,000 (2010: RMB656,392,000), comprising non-current assets of approximately RMB761,644,000 (2010: RMB553,667,000), net current assets of approximately RMB85,993,000 (2010: RMB121,061,000) and non-current liabilities of approximately RMB22,575,000 (2010: RMB18,336,000).

4. ACQUISITION OF A SUBSIDIARY

On 5 January 2011, an indirect wholly-owned subsidiary of the Company, Hong Kong Jutal Holdings Limited (the "Hong Kong Jutal Holding"), has entered into an acquisition agreement with Firstachieve Group Limited (the "Vendor"). Pursuant to the acquisition agreement, Hong Kong Jutal Holding has agreed to purchase and the Vendor has agreed to sell the entire equity interest of Zhuhai Prospering. The consideration of the acquisition is RMB140,500,000, and will be satisfied by (i) RMB16,100,000 in cash from the Group's internal resources; and (ii) RMB124,400,000 by the issue and allotment of 124,699,278 consideration shares at HK$1.16 each. At the direction of the Vendor, the consideration shares will be issued and allotted to Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, who is an executive director and the Chairman of the Company, where the Vendor is a company wholly-owned by his spouse.

The above acquisition was completed on 26 July 2011. Zhuhai Prospering has become a wholly-owned subsidiary of the Company, the financial results, assets and liabilities of Zhuhai Prospering have been consolidated into the consolidated financial statements of the Group.

5. SIGNIFICANT INVESTMENT

During year 2011, the Group has initiated the construction of the second phase of Zhuhai Plant. Investment for the construction of the port and skid way at the preliminary stage is approximately RMB50 million and estimated additional investment of RMB50 million is required for the construction of subsequent plant and ancillary facilities. The construction works for the second phase of Zhuhai plant is expected to be completed and commence operation in 2012.

For the year ended 31 December 2011, the Group did not have any other significant investment.

6. FOREIGN EXCHANGE RISK

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are priced in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Hong Kong Dollars ("HKD") would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were priced in other currencies like 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 for the years ended 31 December 2011 and 2010.

7. ASSETS PLEDGED BY THE GROUP

As at 31 December 2011, except for the bank deposits amounted to RMB1,770,000 that were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance, there were no other assets pledged by the Group.

8. CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities.

9. 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 adjustment 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 2011 and at 31 December 2010 were as follows:

	2011	2010
	RMB'000	RMB'000
Bank borrowings	**97,000**	38,000
Total equity	**825,062**	656,392
Gearing ratio	**11.76%**	5.79%

The increase in bank borrowings and the gearing ratio from year ended 31 December 2010, mainly due to the second phase construction in Zhuhai being launched by the Group in 2011 while a number of engineering projects were underway, resulting in an increase in bank borrowings.

10. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had total 2,658 employees (2010: 2,118), of which 525 (2010: 390) were management and technical staff, and 2,133 (2010: 1,728) 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 funds including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding laws and regulations.

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

BUSINESS REVIEW

Having been committed to enhance our core competitive strength, the Group implemented the development strategies through pressing ahead R&D and engineering of advanced technology, quality product manufacturing as well as effective marketing. In 2011, the Group has achieved breakthroughs in new business development, the construction of fabrication site and facilities, R&D and technical skills, earmarking a significant milestone for the Group over the past year.

Promote General Contracting for Business Transformation

In 2011, the Group has undergone momentous changes from a pure manufacturer to EPC (Engineering, Procurement and Construction) general contractor for the oil, gas and water processing skid equipment business. With valuable R&D and engineering experiences being cultivated and consolidated over the years, the Group is able to provide one-stop solutions to customers based on their technical requirements, which include engineering, procurement, manufacturing, on-site installation and commissioning. During the year, the Group has undertaken a number of large-scale EPC contracting equipment supply projects, including the gas and water processing modules required for the exploitation of overseas oil field by overseas and domestic oil companies. These projects have been successfully launched, which aggrandized the Group's reputation and market prominence, thereby securing a leading edge in the industry.

Set a Foothold in Undersea Fabrication for High-end Manufacturing

With our on-going and unfailing efforts, the Group has established a long-term cooperation with an international oil field production equipment supplier regarding the fabrication of undersea oil field production equipments. During the reporting year, the Group has successfully built and delivered the first set of "undersea manifold device", which is to be used in the oil and gas projects in the South China Sea. As the manufacturing of this undersea manifold device requires high quality materials, techniques, technologies and management, the smooth delivery of the device underscores that the Group has become the first company in China capable of manufacturing an undersea device on its own and that its integrated manufacturing capacity has received recognition from mainstream oil and gas equipment and facility contractors in the world.

Consolidate Core Strength to Secure Leading Edge

Advanced R&D and engineering capabilities are fundamental to the Group's dominance in the market. Through research and development conducted by introduction and on its own, the Group has gradually established a modern oil, gas and water processing and related engineering system. With the proficient application of advanced technologies including the oil, gas and water separation technology, water treatment technology and gas dehydration and desulfurization technology, we provide domestic and overseas customers with self-supporting engineering and fabrication of oil, gas and water treatment equipments. In 2011, the Group has applied for and obtained a number of patents.

During 2011, the Group acquired the entire equity interest of Zhuhai Prospering, through which it possessed a 400,000-sq.m. fabrication site located at the Equipment Manufacture Area of Zhuhai Gaolan Port Economic Zone on which the second phase of the construction of Zhuhai Plant was underway, thus further boosting the integrated fabrication capacity of the Group.

Proactive Market Development to Enhance Growth Potential

The intricacies of the global macroeconomic conditions and the relevant industries bring about challenges to the Group's operation and development. Over the past year, the Group has reinforced its traditional business and clientele while actively soliciting new customers and replicating successful experience to emerging markets to foster the development of new business with huge potential. We made timely adjustment of our business structure to cope with changes in external market and customers, which laid a solid foundation for our sustainable development in the future.

In respect of our shipbuilding services business, the Group has collaborated with other shipbuilding enterprises while consolidating our business in Dalian, striving to establish business cooperation for the fabrication of offshore oil and gas equipment and facilities. Through our projects, the Group’s project management and on-site construction capability were well-received by customers, which laid a rigid foundation for our future market development. In respect of the offshore oil and gas services business, we aggressively sought for new customers and business, developed new business that requires advanced technology such as the fabrication and installation of undersea equipment. Capitalizing on our integrated services, the Group provided customers with attentively formulated solutions, arranged for the procurement of materials and facilities fabrication in strict compliance with the schedule. We also completed all tasks with safety, quality and punctuality, receiving the highest acclaims from customers.

PROSPECTS

In 2011, despite the significant impact on the Group’s results for the reporting period due to our low gross margin policy for certain new business on the basis of the marketing strategy coupled with the reduction in the amount of construction work of our associate Penglai Jutal. during the year, the Group’s dedication and achievements over the last few years are still of great importance to realizing our strategic objectives in the future.

Utilizing international technology and enhancing our own research and development and engineering capacity, the Group will improve and perfect its EPC general contracting ability to become an oil, water and gas treatment equipment solution provider with core technology. As a forerunner in China, we will rapidly fortify our competitive strength to tap into the international market.

In late 2011 and early 2012, the Group has commanded a few sizeable fabrication orders, including fabrication orders for a series of undersea structures for an offshore deepwater gas field in the South China Sea in collaboration with an internationally renowned oil and gas contractor, orders for the fabrication of produced water treatment packages for overseas oil and gas fields of China oil companies as well as orders of gas treatment packages for overseas customers. Currently, the Group's existing orders and orders under negotiation have basically been able to satisfy the production capacity of the Zhuhai Plant in 2012. Fabrication of undersea equipment will become the next pillar business of the Group for strategic development. To this end, the Company has particularly set up the undersea products department for the independent management and operation of the business.

Construction of the second phase of Zhuhai fabrication site is underway and anticipated to be completed by mid-2012. The second phase construction includes a port, a skid way with loading capacity of approximately 2,000 tonnes and facilities designed specifically for undersea fabrication business. Upon completion, the Group's capacity in undertaking larger oil and gas fabrication business will be greatly enhanced.

The Group will enlarge the R&D and engineering capacity and cooperate with domestic and foreign research and engineering institutions incessantly. To cater to the launching of new projects, we have conducted research and development on new products whilst a number of patents are pending for application. Focusing on the overall strategic objectives for the development of the oil, gas and water treatment equipment business and offshore construction projects, the Group will bolster the processing and in-depth engineering capability for the supply of oil, gas and water treatment equipment business, while recruiting engineers related to the offshore engineering business.

During the incoming year, the Group will continue the construction and improvement of management systems while enhancing the operating capacity of various projects. With diligent efforts in fostering the innovative development of our business and exploring new markets, we will consolidate existing achievements, identify and capture any opportunities to fuel our future growth.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2011.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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 (the "Listing Rules") for the year ended 31 December 2011.

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 to 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 2011.

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 for the year ended 31 December 2011.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's website (www.jutal.com). The annual report for the year ended 31 December 2011 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2012

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.