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 2012

Financial Highlights

- Turnover increased by 23.36% to RMB608,614,000
- Gross profit increased by 32.01% to RMB132,261,000
- Net profit attributable to owners of the Company increased by 344.81% to RMB41,394,000
- Basic and diluted earnings per share were RMB0.0663 and RMB0.0661 respectively
- The directors recommend the payment of final dividend of HK$0.02 per each ordinary share of the Company for the year ended 31 December 2012

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 2012 together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012**	2011
		RMB'000	RMB'000
Turnover	3	**608,614**	493,348
Cost of sales and service		**(476,353)**	(393,156)
Gross profit		**132,261**	100,192
Other income	4	**1,059**	2,423
Administrative expenses		**(107,542)**	(83,427)
Other operating expenses		**(234)**	(156)
Profit from operations		**25,544**	19,032
Finance costs	6	**(9,858)**	(4,269)
Share of profit of an associate		**31,247**	2,289
Profit before tax		**46,933**	17,052
Income tax expense	7	**(5,539)**	(7,746)
Profit for the year attributable to owners of the Company	8	**41,394**	9,306
Earnings per share	10	**RMB**	RMB
Basic		**6.63 cents**	1.69 cents
Diluted		**6.61 cents**	1.69 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Profit for the year		**41,394**	9,306
Other comprehensive income, net of tax			
Exchange differences on translating foreign operations		**392**	(12,883)
Total comprehensive income for the year attributable to owners of the Company		**41,786**	(3,577)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**372,098**	308,334
Prepaid land lease payments		**677**	742
Goodwill		**182,135**	182,135
Intangible assets		**2,107**	2,522
Investment in an associate		**296,689**	265,442
Deferred tax assets		**6,094**	2,469
		859,800	761,644
Current assets			
Inventories		**14,330**	7,554
Trade and bills receivables	11	**113,160**	69,979
Gross amount due from customers for contract work	12	**122,363**	121,698
Prepayments, deposits and other receivables		**43,317**	24,884
Finance lease receivables		**-**	1,351
Due from directors		**1,772**	1,074
Due from an associate		**170**	36
Current tax assets		**222**	222
Pledged bank deposits		**6,607**	1,770
Bank and cash balances		**107,828**	69,347
		409,769	297,915
Current liabilities			
Trade and bills payables	13	**142,496**	65,704
Gross amount due to customers for contract work	12	**31,993**	5,648
Accruals and other payables		**65,568**	40,134
Warranty provisions		**528**	-
Bank loans		**126,000**	97,000
Current tax liabilities		**4,598**	3,436
		371,183	211,922
Net current assets		**38,586**	85,993
Total assets less current liabilities		**898,386**	847,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2012

	2012	2011
	RMB'000	RMB'000
Non-current liabilities		
Deferred tax liabilities	**24,111**	22,575
NET ASSETS	**874,275**	825,062
Capital and reserves		
Share capital	**6,133**	6,084
Reserves	**868,142**	818,978
Total Equity	**874,275**	825,062

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 2012. 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, revenue from construction contracts and other services rendered are as follows:

	2012	2011
	RMB'000	RMB'000
Sales of goods	**41,764**	24,934
Revenue from construction contracts and other services rendered	**566,850**	468,414
	608,614	493,348

4. OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Finance income from finance lease	**101**	195
Net gain on disposals of property, plant and equipment	**6**	-
Interest income	**302**	676
Net foreign exchange gains	**385**	1,466
Sundry income	**265**	86
	1,059	2,423

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 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 2012					
Revenue from external customers	**124,022**	**428,427**	**-**	**56,165**	**608,614**
Segment profit	**39,601**	**83,557**	**59**	**9,044**	**132,261**
Depreciation and amortisation	**3,319**	**12,203**	**-**	**1,273**	**16,795**
Other material non-cash items:					
Allowance for trade and other receivables	**726**	**4,958**	**-**	**5**	**5,689**
Additions to segment non-current assets	**2,631**	**77,895**	**-**	**70**	**80,596**
As at 31 December 2012					
Segment assets	**44,194**	**584,167**	**-**	**18,672**	**647,033**
Segment liabilities	**23,120**	**168,801**	**-**	**24,225**	**216,146**
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

5. SEGMENT INFORMATION (CONT'D)

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

	2012	2011
	RMB'000	RMB'000
Profit or loss		
Total profit or loss of reportable segments	**132,261**	100,192
Unallocated amounts:		
Finance costs	**(9,858)**	(4,269)
Other income	**1,059**	2,423
Other corporate expenses	**(107,776)**	(83,583)
Share of profits of an associate	**31,247**	2,289
Consolidated profit before tax for the year	**46,933**	17,052
Assets		
Total assets of reportable segments	**647,033**	502,870
Unallocated amounts:		
Bank and cash balances	**107,828**	69,347
Pledged bank deposits	**6,607**	1,770
Current tax assets	**222**	222
Deferred tax assets	**6,094**	2,469
Finance lease receivables	**-**	1,351
Investment in an associate	**296,689**	265,442
Goodwill	**182,135**	182,135
Other corporate assets	**22,961**	33,953
Consolidated total assets	**1,269,569**	1,059,559
Liabilities		
Total liabilities of reportable segments	**216,146**	90,536
Unallocated amounts:		
Bank loans	**126,000**	97,000
Current tax liabilities	**4,598**	3,436
Deferred tax liabilities	**24,111**	22,575
Other corporate liabilities	**24,439**	20,950
Consolidated total liabilities	**395,294**	234,497

5. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong and Macau	**407,114**	431,210	**853,166**	759,134
Hong Kong	**-**	2,845	**535**	34
Portugal	**71,171**	604	**-**	-
Other Asian Countries	**111,290**	33,788	**-**	-
Others	**19,039**	24,901	**5**	7
Consolidated total	**608,614**	493,348	**853,706**	759,175

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

6. FINANCE COSTS

	2012	2011
	RMB'000	RMB'000
Interest on bank loans	**10,724**	3,243
Others	**1,203**	1,026
Total borrowing costs	**11,927**	4,269
Amount capitalised	**(2,069)**	-
	9,858	4,269

Borrowing costs on funds borrowed generally are capitalised at a rate of 7.7% per annum (2011: Nil).

7. INCOME TAX EXPENSE

	2012	2011
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**6,466**	5,744
Under/(over) -provision in prior years	**1,162**	(325)
	7,628	5,419
Deferred tax	**(2,089)**	2,327
	5,539	7,746

7. INCOME TAX EXPENSE (CONT'D)

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years 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 2012 is 25% (2011: 24%).

(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 fifth profit-making year for the financial year ended 31 December 2012 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 2012 is 12.5% (2011: 12%).

(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:

	2012	2011
	RMB'000	RMB'000
Amortisation of intangible assets	**847**	797
Depreciation	**15,948**	10,927
Directors' emoluments	**4,550**	4,806
Net loss on disposals of property, plant and equipment	**-**	16
Operating lease charges		
- Hire of plant and equipment	**2,202**	791
- Land and buildings	**8,150**	8,614
Auditor's remuneration	**1,287**	1,079
Cost of inventories sold	**142,224**	128,610
Allowance for trade and other receivables	**5,689**	682
Staff costs including directors' emoluments		
- Salaries, bonuses and allowances	**210,028**	158,302
- Retirement benefits scheme contributions	**8,469**	5,038
- Share-based payments	**4,316**	3,099
	222,813	166,439

9. DIVIDENDS

	2012	2011
	RMB'000	RMB'000
Proposed final of HK$0.02 (2011: Nil) per ordinary share	**10,187**	-

10. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**41,394**	9,306

	2012	2011
Number of shares		
Issued ordinary shares at 1 January	**622,799,278**	498,000,000
Effect of consideration shares issued	**-**	53,979,413
Effect of shares issued under share option scheme	**-**	58,904
Effect of shares issued under placement	**1,606,557**	-
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**624,405,835**	552,038,317
Effect of dilutive potential ordinary shares arising from warrants outstanding	**1,441,726**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**625,847,561**	552,038,317

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

Diluted earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue during the year after adjusting for the number of diluted potential ordinary shares granted in relation to the warrants issued during the year ended 31 December 2012.

There are no dilutive potential ordinary shares for the year ended 31 December 2011.

11. TRADE AND BILLS RECEIVABLES

The Group's trade 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:

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**70,503**	35,900
31 to 90 days	**30,302**	10,270
91 to 365 days	**6,323**	21,402
Over 365 days	**6,032**	2,407
	113,160	69,979

As at 31 December 2012, trade and bills receivables aged over 90 days includes retentions receivables which amounted to approximately RMB5,042,000 (2011: RMB3,430,000).

As at 31 December 2012, an allowance was made for estimated irrecoverable trade receivables of approximately RMB5,822,000 (2011: RMB1,011,000). The reconciliation of allowance for trade receivables is as follows:

	2012	2011
	RMB'000	RMB'000
At 1 January	**1,011**	363
Allowance for the year	**5,164**	648
Uncollectable amounts written off	**(353)**	-
At 31 December	**5,822**	1,011

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

	2012 RMB'000	2011 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**684,120**	465,796
Less: Progress billings	**(591,377)**	(346,604)
Less: Exchange differences	**(2,373)**	(3,142)
	90,370	116,050
Gross amount due from customers for contract work	**122,363**	121,698
Gross amount due to customers for contract work	**(31,993)**	(5,648)
	90,370	116,050

In respect of construction contracts in progress at the end of reporting period, retentions receivables included in trade and bills receivables amounted to approximately RMB9,121,000 (2011: RMB4,745,000). The amount of retentions receivables expected to be recovered after more than twelve months is approximately RMB2,843,000 (2011: Nil).

Advances received in respect of construction contracts amounted to approximately RMB10,849,000 at 31 December 2012 (2011: RMB1,821,000) 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:

	2012 RMB'000	2011 RMB'000
0 to 30 days	**77,582**	39,751
31 to 90 days	**23,948**	13,168
91 to 365 days	**34,402**	8,638
Over 365 days	**6,564**	4,147
	142,496	65,704

BUSINESS REVIEW

After years of strategic transformation, the Group has made progress in enhancing core technology, developing general contracting capacity, nurturing new businesses and seeking new customers. Through strategic and cultural integration, we capitalized on the opportunities and made great strides in our business. During the year, our overall operating performance was stable with growth in both income and gross profit; meanwhile breakthroughs are also achieved in our new business.

Completion of the construction of Zhuhai phase II site

The Group has a fabrication site of 400,000 square meters in Equipment Manufacture Area of Zhuhai Gaolan Port Economic Zone. The construction of Zhuhai phase II site was completed in September 2012. At this stage, the construction in respect of approximately half of the size of our fabrication site in Zhuhai has been completed and put into operation. Equipped with a pier and a skidway with a weight capacity of 2,000 tons, Zhuhai phase II site is furnished with 3 production plants and ancillary facilities dedicated for manufacturing subsea oil and gas equipment. With the phase II construction being completed and put into production, the Group is able to undertake the construction of large-scale and high-end oil and gas equipment and facilities. Such initiative has significantly improved our production capacity.

Achieve high standard of manufacturing subsea oil and gas equipment

It is believed that the abyssal region will be the next target for developing offshore oil and gas. In response to that trend, the Group endeavors to take advantage of the opportunities and commit its best efforts to establish long-term strategic cooperation with internationally recognized enterprises engaging in offshore engineering and the production of subsea facilities, in order to undertake the fabrication of their subsea oil and gas equipments. Commencing from 2011, the Group has successfully built and delivered relevant products with different models and during the year, it has undertaken a large-scale subsea equipment fabrication project that is in progress as planned. Such project carries with it a great workload and demands a high level of skill, posing considerable challenges to the fabrication process. The successful implementation of such project implies that the Group possesses state-of-the-art technology in manufacturing subsea oil and gas equipment and the ability to further undertake subsea oil and gas equipment fabrication projects. All these marked a critical milestone for the fabrication business in which enormous efforts will be devoted by the Group in the future.

Improve competitiveness by focusing on technical enhancement

As an integrated provider of oil and gas equipment and technical services, the Group promotes the development strategy of building its competitiveness through acquiring core technology and professional competence. During the year, the Group has continued to invest in technological R&D and design strength and to exert efforts in improving our engineering capability by recruiting new staff and concentrating on the R&D of novel equipment and technology. Some of the self-developed technologies have already been applied to our projects that we have undertaken and have been proved to be cost-saving and highly efficient. Two patent certificates were obtained and four applications for patent were completed in 2012. The Group is able to provide EPC (Engineering, Procurement and Construction) general contracting services for its oil, gas and water processing skid equipment business and may offer one-stop solutions to customers based on their technical requirements, which include engineering, procurement, manufacturing, on-site installation and commissioning. Through the successful implementation of some complex projects during the year, our project management capability and production assurance have been improved greatly.

The Group continues to advocate the concept of management systems that are comprised of quality control system, occupational health and safety system and environmental protection system throughout the Group. Through training and implementation of such practices, we are able to develop a sense of motivation and create a positive culture. In the meantime, the adoption of 5S management systems has also contributed to the effective management over various elements of production such as staff, equipment, materials and techniques and has fostered all-round quality control by improving the production environment, reducing costs, enhancing efficiency and promoting production safety.

Develop service sector by exploring new businesses and markets

With our dedications to maintaining the relationships with customers, the Group always keeps in touch and communicates with them as well as analyses their needs and conducts tracking on their plans. This enables us to capture business opportunities, strengthen our competitive edges as a market pioneer and avoid low-end competitions. Through implementing certain major projects, we further consolidate our competitive edges in the industry with respects to the technical support services for offshore oil and gas business. In view of the market and business opportunities as a result of the development of new offshore oil and gas fields in China, the Group has actively approached new customers; broadened the content and scope of services and ardently responded to the customers' needs. During the year, we have also set up the subsea technical services department and successfully undertaken several projects, which further extends our offshore oil and gas technical support services to the subsea service sector.

As a result of the global downturn of shipbuilding industry, our shipbuilding service business has further shifted to the marine engineering market and sector. Meanwhile, stable business relationships with various shipyards have been established after years of market development. Also, the operations remained stable as a whole.

Foster the marine engineering business steadily

Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. ("Penglai Jutal"), an associate of the Group, endeavors to diversify developments and adopts parallel market strategies of developing domestic and international businesses simultaneously. During the year, its scope of business and scale of products continued to expand while the offshore engineering business remains satiated. Other than the successful completion of several domestic and international projects, it also contracted the second largest project for the construction of jacket in Asia, enabling the company to accumulate valuable experience in the development of deepwater and heavy-duty machineries. Penglai Jutal has also recorded an admirable growth for its turnover during the year.

PROSPECTS

The development strategies of offshore oil and gas in China will provide us with unprecedented business opportunities with respects to our oil and gas fabrication and service sectors. The improvement of the shipbuilding industry and the great momentum of the offshore engineering market will also bring positive impacts to our related businesses.

To fully guarantee the successful implementation of the existing projects, we will further enhance the site facilities, promote the standard of services and capacity in internationalization and strengthen the long-term strategic cooperation with customers. Leveraging on projects implementation to accumulate relevant experience and operating capacity so as to sustain the operations of similar business, expand the existing customer base, and attract new customers and opportunities at the same time. In every link of the project operations, the Group will further upgrade the standards of management and control, enhance the performance of staff and strictly control the costs.

Since the strategic transformation, we understand deeply that the possession of fundamental technologies is the key to realize our strategic goals and enhance our values. The Group will continue to enhance the research and design capacities and recruit more specialists and technicians in the future. Through different measures such as establishing external cooperation, the research on new products and the standard of design could be fostered. Also, the selection of material equipments, detail design and solutions of design processing will be optimized and the accuracy of design will be enhanced so as to uplift the engineering capacity to an international level as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

In year 2012, the Group recorded turnover of approximately RMB608,614,000, representing an increase of 23.36% or RMB115,266,000 compared with year 2011. The increase is mainly attributable to the Group's major business of fabrication of oil and gas facilities and oil and gas processing skid equipment business. Revenue from this segment increased by 29.65% or RMB97,971,000 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					
	2012		2011		2010	
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	**124,022**	**20**	89,532	18	82,084	19
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**428,427**	**70**	330,456	67	277,962	65
3. Provision of technical support services for shipbuilding industry	**56,165**	**10**	73,360	15	66,340	15
4. Civil Engineering business	-	-	-	-	1,680	1
Total	**608,614**	**100**	493,348	100	428,066	100

Cost of sales and service

Cost of sales and service of the Group for the year amounted to approximately RMB476,353,000, representing an increase of 21.16% or RMB83,197,000 compared with year 2011.

Gross profit

The total gross profit of the Group amounted to approximately RMB132,261,000 in year 2012, representing an increase of 32.01% or RMB32,069,000 compared with RMB100,192,000 in year 2011. The overall gross profit margin increased from 20.31% in year 2011 to 21.73%. Save for the gross profit margin from the provision of technical supporting and related services for oil and gas industry and sales of equipment and materials business which slightly decreased from 39% last year to 32%, all other businesses recorded growth in their gross profit margins. The gross profit margin from the provision of technical support services for shipbuilding industry business increased from 13% last year to 16% where the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased from 17% last year to 20%.

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

	For the financial year ended 31 December								
	2012			2011			2010		
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	**39,601**	**32**	**30**	34,790	39	35	23,088	28	24
2. Fabrication of oil and gas facilities and oil and gas processing skid equipment	**83,557**	**20**	**63**	55,792	17	55	55,858	20	58
3. Provision of technical support services for shipbuilding industry	**9,044**	**16**	**7**	9,660	13	10	16,308	25	17
4. Civil Engineering business	**59**	**0**	**0**	（50）	0	0	577	34	1
Total	**132,261**		**100**	100,192		100	95,831		100

Other income

Other income of the Group decreased by 56.29% or approximately RMB1,364,000 compared with last year, primarily due to the decrease in net foreign exchange gains.

Administrative expenses

Administrative expenses increased by 28.91% or RMB24,115,000 compared with year 2011 to approximately RMB107,542,000, which was mainly due to an increase in the salary and welfare of the management staff of approximately RMB12,055,000 and the provision of approximately RMB5,164,000 made correspondingly by the management in respect of recoverability of the trade receivables.

Finance costs

Finance costs reached to approximately RMB9,858,000 in year 2012, which was mainly comprised of bank loans interest of approximately RMB8,655,000 and bank charges and other finance costs of approximately RMB1,203,000.

Share of profits of an associate

The Group held 30% of equity interest in Penglai Jutal. In year 2012, Penglai Jutal recorded net profit of approximately RMB104,156,000. The Group's share of profits from the associate amounted to approximately RMB31,247,000 under the equity method of accounting.

Profits attributable to owners of the Company and earnings per share

In year 2012, profits attributable to owners of the Company amounted to approximately RMB41,394,000, which represent an increase of 344.81% or RMB32,088,000 compared to that of RMB9,306,000 in year 2011. Basic and diluted earnings per share attributable to owners of the Company were RMB0.0663 and RMB0.0661 respectively.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB108,125,000 (2011: RMB70,261,000). During the year, cash inflow from operating activities amounted to approximately RMB81,777,000, cash outflow from investing activities amounted to RMB76,416,000, and cash inflow from financing activities amounted to RMB32,111,000.

As at 31 December 2012, the Group had banking facilities amounted to approximately RMB327,025,000 (2011: RMB257,563,000), of which approximately RMB156,888,000 was utilised and approximately RMB170,137,000 was unutilised. Out of the unutilised banking facilities, approximately RMB66,000,000 was available for raising bank loans. As at 31 December 2012, bank loans of the Group amounted to approximately RMB126,000,000.

3. CAPITAL STRUCTURE

During the year, the Company placed 6,000,000 ordinary shares at the price of HK$0.6 per share and 34,000,000 warrants at the placing price of HK$0.01 per warrant. As at 31 December 2012, the share capital of the Company was comprised of 628,799,278 ordinary shares (2011: 622,799,278 ordinary shares).

As at 31 December 2012, the net assets of the Group amounted to approximately RMB874,275,000 (2011: RMB825,062,000), comprising non-current assets of approximately RMB859,800,000 (2011: RMB761,644,000), net current assets of approximately RMB35,586,000 (2011: RMB85,993,000) and non-current liabilities of approximately RMB24,111,000 (2011: RMB22,575,000).

4. SIGNIFICANT INVESTMENT

During the current year, the Group has completed the construction of the second phase of Zhuhai site which mainly included the wharf, the skid way, the workshop and the ancillary facilities and has been put into operation. The total investment was approximately RMB100 million.

For the year ended 31 December 2012, the Group did not have any other significant investment.

5. 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 ("HK$") would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which are priced in other currencies like USD and HK$, 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 2012 and 2011.

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2012, approximately RMB6,607,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. Bank loans of approximately RMB7,000,000 (2011: Nil) are secured by a charge over the Group's prepaid land lease payments and property, plant and equipment amounted to approximately RMB677,000 and RMB2,190,000 respectively.

7. CONTINGENT LIABILITIES

As at 31 December 2012, 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 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 2012 and at 31 December 2011 were as follows:

	2012	2011
	RMB'000	RMB'000
Bank borrowings	**126,000**	97,000
Total equity	**874,275**	825,062
Gearing ratio	**14.41%**	11.76%

The increase in bank loans and the gearing ratio compared to the year ended 31 December 2011, was mainly due to capital expenditure for the construction of Zhuhai phase II site in 2012 while a number of engineering projects were underway, resulting in an increase in bank loans.

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had total 2,979 employees (2011: 2,658), of which 567 (2011: 525) were management and technical staff, and 2,412 (2011: 2,133) 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 puts emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees every year.

DIVIDEND

The directors recommend the payment of final dividend of HK$0.02 per each ordinary share of the Company for the year ended 31 December 2012.

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 2012.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practice (from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (from 1 April 2012 to 31 December 2012), 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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") 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 2012.

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 2012.

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 2012 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, 22 March 2013

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