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 2013

Financial Highlights

- Turnover increased by 46.21% to RMB889,827,000
- Gross profit increased by 68.89% to RMB223,376,000
- Net profit attributable to owners of the Company increased by 34.43% to RMB55,645,000
- Basic and diluted earnings per share were RMB0.0803 and RMB0.0781 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 2013

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 2013 together with the comparative figures for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Turnover	4	**889,827**	608,614
Cost of sales and services		**(666,451)**	(476,353)
Gross profit		**223,376**	132,261
Other income	5	**814**	1,059
Administrative expenses		**(137,539)**	(101,853)
Other operating expenses		**(21,047)**	(5,923)
Profit from operations		**65,604**	25,544
Finance costs	7	**(13,731)**	(9,858)
Share of profit of an associate		**16,328**	31,247
Profit before tax		**68,201**	46,933
Income tax expense	8	**(12,556)**	(5,539)
Profit for the year	9	**55,645**	41,394
Attributable to owners of the Company		**55,645**	41,394
Earnings per share	11		
		RMB	RMB
Basic		**8.03 cents**	6.63 cents
Diluted		**7.81 cents**	6.61 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Profit for the year		**55,645**	41,394
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(5,619)**	392
Other comprehensive income for the year, net of tax		**(5,619)**	392
Total comprehensive income for the year		**50,026**	41,786
Attributable to owners of the Company		**50,026**	41,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**427,337**	372,098
Prepaid land lease payments		**612**	677
Goodwill		**177,637**	182,135
Intangible assets		**1,504**	2,107
Investment in an associate		**283,017**	296,689
Deferred tax assets		**11,090**	6,094
		901,197	859,800
Current assets			
Inventories		**35,443**	14,330
Trade and bills receivables	12	**214,328**	113,160
Gross amount due from customers for contract work	13	**254,676**	122,363
Prepayments, deposits and other receivables		**69,767**	43,317
Due from directors		**1,796**	1,772
Due from an associate		**93**	170
Current tax assets		**222**	222
Pledged bank deposits		**18,486**	6,607
Bank and cash balances		**99,604**	107,828
		694,415	409,769
Current liabilities			
Trade and bills payables	14	**173,720**	142,496
Gross amount due to customers for contract work	13	**14,844**	31,993
Accruals and other payables		**112,392**	65,568
Warranty provisions		**1,936**	528
Bank borrowings		**234,000**	126,000
Current tax liabilities		**9,738**	4,598
		546,630	371,183
Net current assets		**147,785**	38,586
Total assets less current liabilities		**1,048,982**	898,386

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	**2013**	2012
		RMB'000	RMB'000
Non-current liabilities			
Deferred tax liabilities		**30,428**	24,111
NET ASSETS		**1,018,554**	874,275
Capital and reserves			
Share capital		**6,958**	6,133
Reserves		**1,011,596**	868,142
TOTAL EQUITY		**1,018,554**	874,275

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. BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except the changes mentioned below.

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

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. 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 and amounts reported for the current year and prior years except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries and associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

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.

4. TURNOVER

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

	2013	2012
	RMB'000	RMB'000
Revenue from construction contracts	**776,491**	484,592
Sales of goods	**49,639**	41,764
Other services rendered	**63,697**	82,258
	889,827	608,614

5. OTHER INCOME

	2013	2012
	RMB'000	RMB'000
Finance income from finance lease	**-**	101
Net gain on disposals of property, plant and equipment	**-**	6
Interest income	**412**	302
Net foreign exchange gains	**-**	385
Sundry income	**402**	265
	814	1,059

6. SEGMENT INFORMATION

The Group has three 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) 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.

6. SEGMENT INFORMATION (CONT'D)

Segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs and share of profit of an associate. Segment assets do not include goodwill, investment in an associate, current tax assets, deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank borrowings, 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	Provision of technical support services for shipbuilding industry RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2013					
Revenue from external customers	**113,336**	**732,924**	**43,567**	**-**	**889,827**
Segment profit	**30,596**	**187,643**	**5,137**	**-**	**223,376**
Depreciation and amortisation	**2,466**	**16,104**	**1,438**	**-**	**20,008**
Other material non-cash items:					
Allowance for trade and other receivables	**600**	**3,480**	**42**	**-**	**4,122**
Allowance for amount due from customers for contract work	**-**	**11,555**	**693**	**-**	**12,248**
Additions to segment non-current assets	**1,292**	**73,486**	**15**	**-**	**74,793**
As at 31 December 2013					
Segment assets	**44,071**	**916,783**	**18,810**	**-**	**979,664**
Segment liabilities	**30,047**	**238,951**	**18,581**	**-**	**287,579**
Year ended 31 December 2012					
Revenue from external customers	124,022	428,427	56,165	-	608,614
Segment profit	39,601	83,557	9,044	59	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

6. SEGMENT INFORMATION (CONT'D)

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

	2013 RMB'000	2012 RMB'000
Profit or loss		
Total profit or loss of reportable segments	**223,376**	132,261
Unallocated amounts:		
Finance costs	**(13,731)**	(9,858)
Other income	**814**	1,059
Other corporate expenses	**(158,586)**	(107,776)
Share of profit of an associate	**16,328**	31,247
Consolidated profit before tax for the year	**68,201**	46,933
Assets		
Total assets of reportable segments	**979,664**	647,033
Unallocated amounts:		
Bank and cash balances	**99,604**	107,828
Pledged bank deposits	**18,486**	6,607
Current tax assets	**222**	222
Deferred tax assets	**11,090**	6,094
Investment in an associate	**283,017**	296,689
Goodwill	**177,637**	182,135
Other corporate assets	**25,892**	22,961
Consolidated total assets	**1,595,612**	1,269,569
Liabilities		
Total liabilities of reportable segments	**287,579**	216,146
Unallocated amounts:		
Bank borrowings	**234,000**	126,000
Current tax liabilities	**9,738**	4,598
Deferred tax liabilities	**30,428**	24,111
Other corporate liabilities	**15,313**	24,439
Consolidated total liabilities	**577,058**	395,294

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**454,644**	407,114	**889,692**	853,166
Hong Kong	**-**	-	**412**	535
Portugal	**154,664**	71,171	**-**	-
Singapore	**142,573**	51,263	**-**	-
Other Asian Countries	**110,816**	60,027	**-**	-
Others	**27,130**	19,039	**3**	5
Consolidated total	**889,827**	608,614	**890,107**	853,706

In presenting the geographical information, revenue is based on the locations of the customers and non-current assets do not include deferred tax assets.

7. FINANCE COSTS

	2013	2012
	RMB'000	RMB'000
Interest on bank borrowings	**11,650**	10,724
Amount capitalised	**(107)**	(2,069)
	11,543	8,655
Others	**2,188**	1,203
	13,731	9,858

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.2% per annum (2012: 7.7%).

8. INCOME TAX EXPENSE

	2013	2012
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**11,119**	6,466
Under -provision in prior years	**116**	1,162
	11,235	7,628
Deferred tax	**1,321**	(2,089)
	12,556	5,539

(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) 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 sixth profit-making year for the financial year ended 31 December 2013. The tax rate applicable to Dalian Jutal for the year ended 31 December 2013 is 25% (2012: 12.5%).

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

Zhuhai Jutal is a sino-foreign equity joint venture established in the PRC. Zhuhai Jutal was approved to recognise as a new and high technology enterprise in year 2010 (renewed in year 2013) and is entitled to a preferential treatment to allow Zhuhai Jutal to enjoy a reduced income tax rate of 15% from the year 2013 till year 2015 (2012: 15%).

(iii) 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.

9. PROFIT FOR THE YEAR

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

	2013	2012
	RMB'000	RMB'000
Amortisation of intangible assets	**903**	847
Depreciation	**19,105**	15,948
Directors' emoluments	**4,727**	4,550
Net loss on disposals of property, plant and equipment	**133**	-
Net foreign exchange losses*	**4,128**	-
Operating lease charges		
- Hire of plant and equipment	**11,185**	2,202
- Land and buildings	**9,152**	8,150
Auditor's remuneration	**1,144**	1,287
Cost of inventories sold	**224,798**	142,224
Allowance for trade and other receivables*	**4,122**	5,689
Allowance for gross amount due from customers for contract work*	**12,248**	-
Staff costs including directors' emoluments		
- Salaries, bonuses and allowances	**269,666**	210,028
- Retirement benefits scheme contributions	**10,034**	8,469
- Share-based payments	**2,790**	4,316
	282,490	222,813

* These amounts are included in "Other operating expenses"

10. DIVIDENDS

	2013	2012
	RMB'000	RMB'000
Proposed final of HK$0.02 (2012: HK$0.02) per ordinary share	**11,564**	10,187

Final dividend of HK$0.02 per ordinary share amounted to HK$14,293,000 (approximately to RMB11,434,000) for the year ended 31 December 2012 was approved and paid during the year.

11. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**55,645**	41,394

	2013	2012
Number of shares		
Issued ordinary shares at 1 January	**628,799,278**	622,799,278
Effect of shares issued on placement	**-**	1,606,557
Effect of shares issued on subscription	**30,547,945**	-
Effect of shares issued on exercise of warrants	**21,972,603**	-
Effect of shares issued on exercise of share options	**11,229,658**	-
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**692,549,484**	624,405,835
Effect of dilutive potential ordinary shares arising from share options	**12,945,157**	-
Effect of dilutive potential ordinary shares arising from warrants	**6,888,470**	1,441,726
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**712,383,111**	625,847,561

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 under the Company's share option scheme and the number of diluted potential ordinary shares granted in relation to the warrants issued.

12. TRADE AND BILLS RECEIVABLES

The Group's trade receivables mainly represent progress billings receivables 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 the directors.

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

	2013	2012
	RMB'000	RMB'000
0 to 30 days	**66,397**	70,503
31 to 90 days	**116,924**	30,302
91 to 365 days	**21,220**	6,323
Over 365 days	**9,787**	6,032
	214,328	113,160

As at 31 December 2013, trade and bills receivables aged over 90 days includes retentions receivables which amounted to approximately RMB6,390,000 (2012: RMB5,042,000).

As at 31 December 2013, an allowance was made for estimated irrecoverable trade receivables of approximately RMB8,808,000 (2012: RMB5,822,000). The reconciliation of allowance for trade receivables is as follows:

	2013	2012
	RMB'000	RMB'000
At 1 January	**5,822**	1,011
Allowance for the year	**3,164**	5,164
Uncollectable amounts written off	**(178)**	(353)
At 31 December	**8,808**	5,822

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

	2013 RMB'000	2012 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**1,162,816**	684,120
Less: Progress billings	**(906,351)**	(591,377)
Less: Exchange differences	**(4,385)**	(2,373)
Less: Allowance for the year	**(12,248)**	-
	239,832	90,370
Gross amount due from customers for contract work	**254,676**	122,363
Gross amount due to customers for contract work	**(14,844)**	(31,993)
	239,832	90,370

In respect of construction contracts in progress at the end of reporting period, retentions receivables included in trade and bills receivables amounting to approximately RMB10,509,000 (2012: RMB9,121,000). The amount of retentions receivables expected to be recovered after more than twelve months is approximately RMB1,040,000 (2012: RMB2,843,000).

Advances received in respect of construction contracts amounted to approximately RMB32,983,000 at 31 December 2013 (2012: RMB10,849,000) and is included in accruals and other payables.

14. 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:

	2013 RMB'000	2012 RMB'000
0 to 30 days	**93,922**	77,582
31 to 90 days	**48,170**	23,948
91 to 365 days	**27,221**	34,402
Over 365 days	**4,407**	6,564
	173,720	142,496

BUSINESS REVIEW

As an integrated provider of fabrication of oil and gas equipment and professional technical services, we maximize our customers' value by offering premium products and professional services. In the past few years, we have made every effort to enhance our core strengths in multiple respects such as sites and resources, research and development, design, fabrication techniques and system management. Being streaks ahead of our peers, we have won opportunities to cooperate with various renowned domestic and overseas companies, extended our business scope and achieved satisfactory growth in the past year.

Further expanded the Zhuhai site and fabrication capacity

Following the launch of phase II of the Zhuhai fabrication site in 2012, we have commenced the construction of phase III of the Zhuhai site in the second half of 2013 for the newly contracted FPSO's topside modules fabrication project. Our engagement in such project also marked our victorious expansion into a new business area, the successful operation of which will also act as our foothold in such business sector. The contracted subsea equipment fabrication project has entered the core stage in 2013. Our Zhuhai fabrication base now features initial turnkey capability for oil and gas equipment supplying and fabrication capability of subsea equipment and FPSO topside module with greatly enhanced fabrication capacity. In 2013, we successfully undertook, at our Zhuhai base, the fabrication of large-scale subsea equipment for use at gas fields in the South China Sea and foreign waters as well as some relatively large processing systems such as water processing systems and gas processing systems for use at offshore and inland oil and gas fields. As a result, our revenue and gross profit from the fabrication of oil and gas facilities and oil and gas skid equipment business recorded substantial growth.

Achieved international fabrication standard and boosted technological advancement

In our cooperation with top-notch international corporations and operation of certain large-scale projects, we have upheld our high requirement on quality and improved the quality of our products. We offer regular special training to our staff in order to raise their awareness about quality and enhance their quality control skills. We also closely monitor the work of our frontline operators so as to identify problems in a timely manner. We believe that in terms of manufacturing, Jutal has achieved advanced international standards, and we have passed the stringent tests of all our customers. In particular, our success rate in the welding of super duplex stainless steel, which was widely regarded as the toughest task, reached 99.94%, demonstrating our outstanding fabrication capability and competitive strength.

We continued the research and development of high-efficiency products and obtained new patents during the year. In addition, we have also conducted research and development of new products in collaboration with universities in the PRC. We have also actively introduced and promoted the results of our research to the customers through various kinds of introduction. Some of these results have already been applied in certain projects. During the year, we established a subsidiary in Chengdu and obtained the qualification to provide design services to the oil and gas industry. Such actions are expected to further enhance our capacity in undertaking turnkey projects and allow us to offer professional technical design services for oil and gas projects and equipment to players in the industry. Our influence in the industry will definitely rise.

Steadily fostered services business and strengthened resources sharing

The offshore oil and gas technical supporting services business, our traditional core business, sustained steady in 2013. We maintained amicable cooperative relationships with our customers in order to capitalise on our established strength and avoid cut-throat competition with the peers. We were able to obtain integrated projects from our customers and were capable of offering and implementing tailor-made solutions after consulting and conducting risk assessment with them. The safety and quality level of our projects were outstanding and highly praised by our customers. With our services, the customers were able to enlarge their production and enhance their economic efficiency. We also extended our offshore oil and gas technical support services business to diving services sector. Several diving services projects have been completed during the year. Meanwhile, a diving engineering company has been acquired to further strengthen our professional diving service capability.

We have established branch subsidiaries along the coast of South China Sea and Bohai in both southern and northern China to undertake our servicing business in their respective regions. They complement the others, expand in their respective markets and sectors, and ensure the smooth operation of their respective projects by sharing their technologies and human resources.

PROSPECTS

In the past few years, we have laid down the initial foundation for our further expansion in the integrated oil and gas fabrication and services business by carrying on the construction of our Zhuhai fabrication base, winning new customers and exploring new business areas. Our strategy is to establish ourselves as a leading and competitive company in the offshore engineering industry and oil and gas equipment fabrication sector by developing state-of-the-art product fabrication capacity through enhancing internal core technologies and design capability.

Phase III of the Zhuhai project will formally commence operation in the first half of 2014 to undertake our newly contracted FPSO topside module fabrication business. We will continue to enhance the facilities of our site according to market condition and project progress so as to better utilise the site. The Company will enhance the designs and fabrication quality of certain key products while developing and acquiring new technologies by cooperating with universities and professional research institutions in order to outrun our competitors and actively promote them to the market.

With the help of various renowned international customers, we have not only enhanced our efficiency, but also availed ourselves of better management, engineering, design and fabrication capability. We will ensure the due undertaking of all our projects under construction, achieve international standards, further penetrate into new business areas and foster longer and closer cooperation with our customers.

The diving services and design services will be the next key area for the future development of our offshore oil and gas services business. In addition, we will explore and study certain other new product and service lines to complement our integrated offshore oil and gas servicing capacity.

We believe that the ongoing projects will be successfully implemented and enhance our technological strength. Besides traditional business, the newly developed business will help us to better seize the opportunity and reach new heights.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial and business review

Turnover

In year 2013, the Group recorded turnover of approximately RMB889,827,000, representing an increase of 46.21% or RMB281,213,000 compared with year 2012. 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 71.07% or RMB 304,497,000 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					
		2013		2012		2011	
	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**	**113,336**	**13**	124,022	20	89,532	18
2.	**Fabrication of oil and gas facilities and oil and gas processing skid equipment**	**732,924**	**82**	428,427	70	330,456	67
3.	**Provision of technical support services for shipbuilding industry**	**43,567**	**5**	56,165	10	73,360	15
4.	**Others**	**-**	**-**	-	-	-	-
	Total	**889,827**	**100**	608,614	100	493,348	100

Cost of sales and service

Cost of sales and service of the Group amounted to approximately RMB666,451,000 in year 2013, representing an increase of 39.91% or RMB190,098,000 compared with year 2012.

Gross profit

The total gross profit of the Group amounted to approximately RMB223,376,000 in year 2013, representing an increase of 68.89% or RMB91,115,000 compared with RMB132,261,000 in year 2012. The overall gross profit margin increased from 21.73% in year 2012 to 25.10%. 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 decreased from 31.93% last year to 27.00%, whereas the gross profit margin from the provision of technical support services for shipbuilding industry business decreased from 16.10% last year to 11.79% and the fabrication of oil and gas facilities and oil and gas processing skid equipment business recorded an increase of gross profit margin from 19.50% last year to 25.60%.

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

		For the financial year ended 31 December								
		2013			2012			2011		
	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**	**30,596**	**27**	**14**	39,601	32	30	34,790	39	35
2.	**Fabrication of oil and gas facilities and oil and gas processing skid equipment**	**187,643**	**26**	**84**	83,557	20	63	55,792	17	55
3.	**Provision of technical support services for shipbuilding industry**	**5,137**	**12**	**2**	9,044	16	7	9,660	13	10
4.	**Others**	**-**	**-**	**-**	59	-	-	(50)	-	-
	Total	**223,376**		**100**	132,261		100	100,192		100

Other income

Other income of the Group decreased by 23.14% or approximately RMB245,000 compared with year 2012, primarily due to the decrease in net foreign exchange gains.

Administrative and other operating expenses

Administrative and other operating expenses increased by 47.14% or RMB50,810,000 compared with year 2012 to approximately RMB158,586,000, which was mainly due to an increase in the salary and welfare of the management staff of approximately RMB24,975,000 and increase in provision of approximately RMB10,681,000 made correspondingly by the management in respect of recoverability of the trade receivables and gross amount due from customers for contract work.

Finance costs

Finance costs reached approximately RMB13,731,000 in year 2013, which was mainly comprised of interest from bank borrowings of approximately RMB11,543,000 and bank charges and other finance costs of approximately RMB2,188,000.

Share of profit of an associate

The Group held 30% of equity interest in Penglai Jutal Offshore Engineering Heavy Industries Co. Ltd. (“Penglai Jutal”). In year 2013, Penglai Jutal recorded net profit of approximately RMB54,428,000. The Group's share of profit from the associate amounted to approximately RMB16,328,000 under the equity method of accounting.

Profit attributable to owners of the Company and earnings per share

In year 2013, profit attributable to owners of the Company amounted to approximately RMB55,645,000, which represent an increase of 34.43% or RMB14,251,000 compared to that of RMB41,394,000 in year 2012. Basic and diluted earnings per share attributable to owners of the Company were RMB0.0803 and RMB0.0781 respectively.

2. Liquidity and financial resources

As at 31 December 2013, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB100,265,000 (2012: RMB108,125,000). During the year, net cash outflow from operating activities amounted to approximately RMB161,944,000, net cash outflow from investing activities amounted to RMB44,273,000, and net cash inflow from financing activities amounted to RMB199,463,000.

As at 31 December 2013, the Group had banking facilities amounted to approximately RMB444,685,000 (2012: RMB327,025,000), of which approximately RMB279,369,000 was utilized and approximately RMB165,316,000 was unutilized. Out of the unutilized banking facilities, approximately RMB77,000,000 was available for raising bank loans. As at 31 December 2013, bank borrowings of the Group amounted to approximately RMB234,000,000.

3. Capital structure

In the reporting period, the Company top-up placed 50,000,000 ordinary shares at the price of HK$1.73 per share. In addition, 34,000,000 ordinary shares were issued by exercising 34,000,000 out of 34,000,000 unlisted warrants that were placed last year, and 19,100,000 ordinary shares were issued by exercising share options under the Company's share option scheme.

As at 31 December 2013, the share capital of the Company comprises 731,899,278 ordinary shares (2012: 628,799,278 ordinary shares).

As at 31 December 2013, the net assets of the Group amounted to approximately RMB1,018,554,000 (2012: RMB874,275,000), comprising non-current assets of approximately RMB901,197,000(2012: RMB859,800,000), net current assets of approximately RMB147,785,000 (2012: RMB38,586,000) and non-current liabilities of approximately RMB30,428,000 (2012: RMB24,111,000).

4．Significant investment

During the current year, the Group has commenced the construction of the third phase of Zhuhai site which mainly includes the plant and ancillary equipment and facilities. It is expected that the construction will be completed and put into operation in the first half of 2014. The total investment is estimated to be approximately RMB80 million.

For the year ended 31 December 2013, 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$”) would bring certain foreign exchange risk to the Group. The Group would minimize the amount of assets which are priced in other currencies like USD and HK$, 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 2013 and 2012.

6．Assets pledged by the Group

As at 31 December 2013, in order to obtain better financing conditions, the Group has pledged a parcel of land and a portion of structures and plants located in Zhuhai with a carrying amount of approximately RMB219,847,000 in favor of a commercial bank in China. Approximately RMB18,486,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance.

7．Contingent liabilities

As at 31 December 2013, 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 maximize the return to the shareholders through the optimization 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 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 2013 and at 31 December 2012 were as follows:

	2013	2012
	RMB'000	RMB'000
Bank borrowings	**234,000**	126,000
Total equity	**1,018,554**	874,275
Gearing ratio	**22.97%**	14.41%

The increase in bank borrowings and the gearing ratio compared to the year ended 31 December 2012, was mainly due to capital expenditure for the construction of the third phase of Zhuhai site in 2013 while a number of engineering projects were underway, resulting in an increase in bank borrowings.

9. Employees and remuneration policy

As at 31 December 2013, the Group had total 3,299 employees (2012: 2,979), of which 629 (2012: 567) were management and technical staff, and 2,670 (2012: 2,412) 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 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2013.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Corporate Governance Code 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 2013.

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 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

In the reporting period, the Company top-up placed 50,000,000 ordinary shares at the price of HK$1.73 per share. In addition, 34,000,000 ordinary shares were issued by exercising 34,000,000 out of 34,000,000 unlisted warrants that were placed last year, and 19,100,000 ordinary shares were issued by exercising share options under the Company's share option scheme.

Save as disclosed above, 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 2013.

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 2013 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, 28 March 2014

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.