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 2014

Financial Highlights

- Turnover increased by 6.86% to RMB950,881,000
- Gross profit decreased by 16.65% to RMB186,177,000
- Net profit attributable to owners of the Company decreased by 48.86% to RMB28,456,000
- Basic and diluted earnings per share were RMB0.0374 and RMB0.0367 respectively
- The directors recommend the payment of final dividend of HK$0.01 per each ordinary share of the Company for the year ended 31 December 2014

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 2014 together with the comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Turnover	4	**950,881**	889,827
Cost of sales and services		**(764,704)**	(666,451)
Gross profit		**186,177**	223,376
Other income	5	**7,018**	814
Administrative expenses		**(136,565)**	(137,539)
Other operating expenses		**(8,634)**	(21,047)
Profit from operations		**47,996**	65,604
Finance costs	7	**(16,763)**	(13,731)
Share of profit of an associate		**7,297**	16,328
Profit before tax		**38,530**	68,201
Income tax expense	8	**(10,074)**	(12,556)
Profit for the year	9	**28,456**	55,645
Attributable to :			
Owners of the Company		**28,456**	55,645
Earnings per share	11		
		RMB	RMB
Basic		**3.74 cents**	8.03 cents
Diluted		**3.67 cents**	7.81 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Profit for the year		**28,456**	55,645
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,262**	(5,619)
Other comprehensive income for the year, net of tax		**2,262**	(5,619)
Total comprehensive income for the year		**30,718**	50,026
Attributable to:			
Owners of the Company		**30,718**	50,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**525,442**	427,337
Prepaid land lease payments		**547**	612
Goodwill		**182,090**	177,637
Intangible assets		**3,366**	1,504
Investment in an associate		**290,314**	283,017
Deferred tax assets		**7,677**	11,090
		1,009,436	901,197
Current assets			
Inventories		**19,752**	35,443
Trade and bills receivables	12	**288,518**	214,328
Gross amount due from customers for contract work	13	**215,333**	254,676
Prepayments, deposits and other receivables		**65,325**	69,767
Due from directors		**1,387**	1,796
Due from an associate		**170**	93
Current tax assets		**1,417**	222
Pledged bank deposits		**31,498**	18,486
Bank and cash balances		**95,426**	99,604
		718,826	694,415
Current liabilities			
Trade and bills payables	14	**217,164**	173,720
Gross amount due to customers for contract work	13	**5,452**	14,844
Accruals and other payables		**107,025**	112,392
Warranty provisions		**2,701**	1,936
Bank borrowings		**230,240**	234,000
Current tax liabilities		**1,661**	9,738
		564,243	546,630
Net current assets		**154,583**	147,785
Total assets less current liabilities		**1,164,019**	1,048,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2014

	Note	**2014**	2013
		RMB'000	RMB'000
Non-current liabilities			
Deferred revenue		**8,000**	**-**
Deferred tax liabilities		**29,650**	30,428
		37,650	30,428
NET ASSETS		**1,126,369**	1,018,554
Capital and reserves			
Share capital		**7,504**	6,958
Reserves		**1,118,865**	1,011,596
TOTAL EQUITY		**1,126,369**	1,018,554

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 support and related services for oil and gas industry and sales of related 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 consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013 except the changes mentioned below.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. 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.

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendment to HKAS 32, Offsetting financial assets and financial liabilities
- Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)
- Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)
- Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

4. TURNOVER

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

	2014	2013
	RMB'000	RMB'000
Revenue from construction contracts	**828,139**	776,491
Sales of goods	**38,938**	49,639
Other services rendered	**83,804**	63,697
	950,881	889,827

5. OTHER INCOME

	2014	2013
	RMB'000	RMB'000
Government grant recognised	**1,000**	-
Interest income on bank deposits	**725**	412
Net gain on disposals of property, plant and equipment	**145**	-
Net foreign exchange gains	**623**	-
Reversal of allowance for trade receivables	**3,819**	-
Sundry income	**706**	402
	7,018	814

6. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) Provision of technical support and related services for oil and gas industry and sales of related 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, share of profit of an associate and income tax expenses. Segment assets do not include goodwill, investment in an associate, current and deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank borrowings, current and deferred tax liabilities, deferred revenue, and other corporate liabilities.

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

	Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	Fabrication of oil and gas facilities and oil and gas processing skid equipment	Provision of technical support services for shipbuilding industry	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014				
Revenue from external customers	**122,742**	**769,340**	**58,799**	**950,881**
Segment profit	**29,403**	**149,302**	**7,472**	**186,177**
Depreciation and amortisation	**2,802**	**23,695**	**536**	**27,033**
Other material non-cash items:				
Allowance for trade and other receivables	**49**	**2,454**	**10**	**2,513**
Allowance for amount due from customers for contract work	**-**	**1,558**	**-**	**1,558**
Reversal of allowance for trade receivables	**104**	**3,715**	**-**	**3,819**
Additions to segment non-current assets	**11,537**	**116,429**	**257**	**128,223**
As at 31 December 2014				
Segment assets	**47,225**	**1,008,043**	**26,109**	**1,081,377**
Segment liabilities	**24,102**	**257,738**	**13,217**	**295,057**
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

6. SEGMENT INFORMATION (CONT'D)

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

	2014 RMB'000	2013 RMB'000
Profit or loss		
Total profit or loss of reportable segments	**186,177**	223,376
Unallocated amounts:		
Finance costs	**(16,763)**	(13,731)
Other income	**7,018**	814
Administrative expenses	**(136,565)**	(137,539)
Other operating expenses	**(8,634)**	(21,047)
Share of profit of an associate	**7,297**	16,328
Consolidated profit before tax for the year	**38,530**	68,201
Assets		
Total assets of reportable segments	**1,081,377**	979,664
Unallocated amounts:		
Bank and cash balances	**95,426**	99,604
Pledged bank deposits	**31,498**	18,486
Current tax assets	**1,417**	222
Deferred tax assets	**7,677**	11,090
Investment in an associate	**290,314**	283,017
Goodwill	**182,090**	177,637
Other corporate assets	**38,463**	25,892
Consolidated total assets	**1,728,262**	1,595,612
Liabilities		
Total liabilities of reportable segments	**295,057**	287,579
Unallocated amounts:		
Bank borrowings	**230,240**	234,000
Current tax liabilities	**1,661**	9,738
Deferred revenue	**8,000**	-
Deferred tax liabilities	**29,650**	30,428
Other corporate liabilities	**37,285**	15,313
Consolidated total liabilities	**601,893**	577,058

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding deferred tax assets) by location of assets is detailed below:

	Revenue		**Non-current assets**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**576,354**	454,644	**1,001,449**	889,692
Hong Kong	**-**	-	**310**	412
Portugal	**84,369**	154,664	**-**	-
Singapore	**133,546**	142,573	**-**	-
France	**122,935**	18,423	**-**	-
Other Asian Countries	**22,661**	110,816	**-**	-
Others	**11,016**	8,707	**-**	3
Consolidated total	**950,881**	889,827	**1,001,759**	890,107

7. FINANCE COSTS

	2014	2013
	RMB'000	RMB'000
Interest on bank borrowings	**16,265**	11,650
Amount capitalised	**(1,295)**	(107)
	14,970	11,543
Others	**1,793**	2,188
	16,763	13,731

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.1% per annum (2013: 6.2%).

8. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**7,918**	11,119
(Over)/under-provision in prior years	**(479)**	116
	7,439	11,235
Deferred tax	**2,635**	1,321
	10,074	12,556

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2014 and 2013.

(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) 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 since the year ended 31 December 2010 and has renewed during the year ended 31 December 2013. Zhuhai Jutal is therefore entitled to enjoy a reduced income tax rate of 15% from year 2013 to year 2015.

(ii) The tax rate applicable to other Group's PRC subsidiaries were 25% during the year.

(c) Tax charge on profits assessable elsewhere has 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:

	2014	2013
	RMB'000	RMB'000
Amortisation of intangible assets	**1,777**	903
Cost related to acquisition of a subsidiary	**105**	-
Depreciation	**25,256**	19,105
Directors' emoluments	**6,632**	4,727
Net loss on disposals of property, plant and equipment	**-**	133
Net foreign exchange losses*	**-**	4,128
Operating lease charges		
- Hire of plant and equipment	**18,957**	11,185
- Land and buildings	**10,658**	9,152
Auditor's remuneration	**1,348**	1,144
Cost of inventories utilised in construction contracts and sold	**222,118**	224,798
Allowance for inventories*	**3,600**	-
Allowance for trade and other receivables*	**2,513**	4,122
Allowance for gross amount due from customers for contract work*	**1,558**	12,248
Staff costs including directors' emoluments		
- Salaries, bonuses and allowances	**324,869**	269,666
- Retirement benefits scheme contributions	**12,011**	10,034
- Share-based payments	**2,133**	2,790
	339,013	282,490

* These amounts are included in "Other operating expenses"

10. DIVIDENDS

	2014	2013
	RMB'000	RMB'000
2013 final dividend of HK$0.02 (2013: 2012 final dividend of HK$0.02) per ordinary share	**11,737**	11,434

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK$0.01 per shares has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

11. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**28,456**	55,645
	2014	2013
Number of shares		
Issued ordinary shares at 1 January	**731,899,278**	628,799,278
Effect of shares issued on subscription	**17,753,425**	30,547,945
Effect of shares issued on exercise of share options	**11,857,123**	11,229,658
Effect of shares issued on exercise of warrants	**-**	21,972,603
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**761,509,826**	692,549,484
Effect of dilutive potential ordinary shares arising from share options	**13,247,330**	12,945,157
Effect of dilutive potential ordinary shares arising from warrants	**-**	6,888,470
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**774,757,156**	712,383,111

Basic earnings per share attributable to owners of the Company are 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.

12. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Trade receivables	**263,766**	215,136
Allowance for doubtful debts	**(7,463)**	(8,808)
	256,303	206,328
Bills receivables	**32,215**	8,000
	288,518	214,328

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 receivables generally range from 30 to 90 days. The credit terms for retentions receivables generally range from 12 to 24 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 receivables, based on the invoice date, and net of allowance, is as follows:

	2014	2013
	RMB'000	RMB'000
0 to 30 days	**95,784**	58,397
31 to 90 days	**102,574**	116,924
91 to 365 days	**43,502**	21,220
Over 365 days	**14,443**	9,787
	256,303	206,328

As at 31 December 2014, trade receivables aged over 90 days includes retentions receivables which amounted to approximately RMB7,335,000 (2013: RMB6,390,000).

At 31 December 2014, bills receivables of RMB19,950,000 (2013: Nil) were pledged to a bank to secure certain bank loans obtained.

12. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2014, an allowance was made for estimated irrecoverable trade receivables of approximately RMB7,463,000 (2013: RMB8,808,000). The reconciliation of allowance for trade receivables is as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**8,808**	5,822
Allowance for the year	**2,474**	3,164
Reversal	**(3,819)**	-
Amounts written off	**-**	(178)
At 31 December	**7,463**	8,808

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

	2014	2013
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**1,212,844**	1,150,568
Less: Progress billings	**(1,002,084)**	(906,351)
Less: Exchange differences	**(879)**	(4,385)
	209,881	239,832
Gross amount due from customers for contract work	**215,333**	254,676
Gross amount due to customers for contract work	**(5,452)**	(14,844)
	209,881	239,832

In respect of construction contracts in progress at the end of the reporting period, retentions receivables included in trade and bills receivables amounted to approximately RMB8,710,000 (2013: RMB10,509,000). The amount of retentions receivables expected to be recovered after more than twelve months is approximately RMB2,938,000 (2013: RMB1,040,000).

Advances received in respect of construction contracts amounted to approximately RMB7,445,000 at 31 December 2014 (2013: RMB32,983,000) and is included in accruals and other payables.

14. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	RMB'000
Trade payables	**205,777**	162,954
Bills payables	**11,387**	10,766
	217,164	173,720

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

	2014	2013
	RMB'000	RMB'000
0 to 30 days	**65,274**	83,156
31 to 90 days	**42,236**	48,170
91 to 365 days	**89,636**	27,221
Over 365 days	**8,631**	4,407
	205,777	162,954

BUSINESS REVIEW

Since the second half and, particularly, the fourth quarter of year 2014, international oil price has plummeted and the overall operating environment of the oil and gas industry has changed drastically. Against this backdrop, we have made every effort to ensure the smooth implementation of our ongoing projects while boosting our marketing. As such, revenue from each of our business segments increased and our major large-scale projects commissioned by several key customers were progressing smoothly during the year.

The third phase of our Zhuhai site was completed and put into use in the first half of 2014 and has carried out a FPSO topside project commissioned by one of our strategic customers. This project was also completed and delivered during the year and our quality control and safety management fulfilled the customer's requirement and were highly praised. The contract with another strategic customer to fabricate subsea equipment for a deep water natural gas field in Australia was also substantially completed and is currently undergoing the final commissioning stage. Delivery is expected in early of year 2015. This customer also gave us quality and safety awards and has entered into a long-term global partnership agreement with us, paving the way for further future cooperation in subsea equipment fabrication. Furthermore, after 2 years of progress, the project to fabricate subsea equipment for the deep water gas field in South China Sea was also delivered. We have also successfully completed a large-scale South China Sea oil and gas field renovation project which involved a total of 4 large facilities, namely 3 drilling platforms and 1 FPSO, of which 2 drilling platforms were the largest of its kind in Asia. This project is large in workload and difficult to implement, and involves the collaboration of a number of professional areas and all the production process on a platform. The successful implementation of the project was monumental and signified the client's recognition of our fabrication technique, quality control and assurance, technical capability and project management.

In year 2014, we have also undertaken a series of supply and processing equipment projects ranging from oil and gas field equipment to oil and gas processing plants home and abroad, thereby achieving new breakthrough in terms of natural gas processing and water treatment equipment in the offshore oil market.

Notwithstanding some impact from the overall market environment, the provision of technical supporting services for oil and gas industry business maintained stable operation and recorded satisfactory performance in year 2014 through our marketing effort and internal management improvement. We have made new progresses in both conventional and unconventional businesses with new clients and new services in these markets, thus enhanced our competitiveness. Our new diving services business has completed initial establishment and will penetrate the key offshore oil field market in South China Sea. It has already accomplished several projects with outstanding results.

Our associate, Penglai Jutal Offshore Engineering Heavy Industries Co. Ltd. ("Penglai Jutal"), undertook the fabrication project of 3 trains of pipe rack modules for the LNG project in Yamal, Russia as announced by the Company on 27 August 2014. This project represented the largest overseas fabrication order of Penglai Jutal as of the date hereof. However, its net profit for the year was affected by the later-than-expected conclusion of this order as the overall workload for year 2014 has been decreased. Nevertheless, Penglai Jutal has sufficient ongoing orders that have laid the solid foundation for its production and operation in the next 2 years.

PROSPECTS

As the international oil price is expected to stay low for a certain period of time, the global oil and natural gas development and engineering and servicing industries are also taking a more cautious approach towards future investment and construction. Therefore, the number of opportunities in the market is expected to be decreased. In response to these market changes, we will take a number of initiatives in the coming year.

To effectively reduce our costs and expenditures, we have already implemented a range of measures such as redeploying and streamlining our structure and staff, slashing and strictly controlling expenses and optimizing our production and management procedures so as to improve our operating efficiency and maximize our performance.

In the coming year, we will put additional efforts into marketing by strengthening our marketing team, expanding our marketing campaign, adjusting our marketing strategy and seizing every possible market opportunity and chance.

Our strategies for the oil and gas fabrication business are to master the ability to handling turnkey oil and gas equipment contracts and the ability to fabricate large-scale modules and subsea equipment. To do so, we will further consolidate and establish our core research, development, design and management strengths.

Insisting on steady growth and innovation, we will make concerted efforts to surmount all future challenges with a proactive and self-confident manner in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial and business review

Turnover

In year 2014, the Group recorded turnover of approximately RMB950,881,000, representing an increase of 6.86% or RMB61,054,000 as compared with year 2013. Revenue from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials increased by 8.30% or RMB9,406,000 as compared with year 2013. Revenue from the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased by 4.97% or RMB36,416,000 as compared with year 2013. Revenue from the provision of technical support services for shipbuilding industry increased by 34.96% or RMB15,232,000 as compared with year 2013.

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					
		2014		2013		2012	
	Products/Services	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**	**RMB'000**	**Percentage to total turnover (%)**
1	**Provision of technical support and related services for oil and gas industry and sales of related equipment and materials**	**122,742**	**13**	113,336	13	124,022	20
2	**Fabrication of oil and gas facilities and oil and gas processing skid equipment**	**769,340**	**81**	732,924	82	428,427	70
3	**Provision of technical support services for shipbuilding industry**	**58,799**	**6**	43,567	5	56,165	10
4	**Others**	**-**	**-**	-	-	-	-
	Total	**950,881**	**100**	889,827	100	608,614	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB764,704,000 in year 2014, representing an increase of 14.74% or RMB98,253,000 as compared with year 2013.

Gross profit

The total gross profit of the Group amounted to approximately RMB186,177,000 in year 2014, representing a decrease of 16.65% or RMB37,199,000 as compared with RMB223,376,000 in year 2013. The overall gross profit margin decreased from 25.10% in year 2013 to 19.58%. The gross profit margin of the provision of technical support and related services for oil and gas industry and sales of related equipment and materials business decreased from 27.00% in year 2013 to 23.96%, whereas the gross profit margin of the fabrication of oil and gas facilities and oil and gas processing skid equipment business decreased from 25.60% in year 2013 to 19.41%, and the gross profit margin of the provision of technical support services for shipbuilding industry business recorded an increase from 11.79% in year 2013 to 12.71%.

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

		For the financial year ended 31 December								
		2014			2013			2012		
	Products/ Services	**RMB'000**	**Gross profit margin (%)**	**Percentage to total gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage to total gross profit (%)**	**RMB'000**	**Gross profit margin (%)**	**Percentage to total gross profit (%)**
1	**Provision of technical support and related services for oil and gas industry and sales of related equipment and materials**	**29,403**	**24**	**16**	30,596	27	14	39,601	32	30
2	**Fabrication of oil and gas facilities and oil and gas processing skid equipment**	**149,302**	**19**	**80**	187,643	26	84	83,557	20	63
3	**Provision of technical support services for shipbuilding industry**	**7,472**	**13**	**4**	5,137	12	2	9,044	16	7
4	**Others**	**-**	**-**	**-**	-	-	-	59	-	-
	Total	**186,177**		**100**	223,376		100	132,261		100

Other income

Other income of the Group increased by 762.16% or RMB6,204,000 as compared with year 2013, primarily due to the reversal of allowance for trade receivables and government grant recognised.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 8.44% or RMB13,387,000 as compared with year 2013 to approximately RMB145,199,000, primarily due to a significant decrease in provision of allowance made by the management in respect of certain trade receivables and gross amount due from customers for contract work.

Finance costs

Finance costs reached approximately RMB16,763,000 in year 2014, which was mainly comprised of interests from bank borrowings of approximately RMB14,970,000 and bank charges and other finance costs of approximately RMB1,793,000.

Share of profit of an associate

The Group held 30% of equity interest in Penglai Jutal. In year 2014, Penglai Jutal recorded net profit of approximately RMB24,322,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB7,297,000 under the equity method of accounting.

Profit attributable to owners of the Company and earnings per share

In year 2014, profit attributable to owners of the Company amounted to approximately RMB28,456,000, which represented a decrease of 48.86% or RMB27,189,000 as compared to that of RMB55,645,000 in year 2013. Basic and diluted earnings per share attributable to owners of the Company were RMB0.0374 and RMB0.0367 respectively.

2. Liquidity and financial resources

As at 31 December 2014, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB108,510,000 (2013: RMB100,265,000). During the year, net cash inflow from operating activities amounted to approximately RMB56,076,000, net cash outflow from investing activities amounted to RMB119,044,000, and net cash inflow from financing activities amounted to RMB71,204,000.

As at 31 December 2014, the Group had banking facilities amounted to approximately RMB517,000,000 (2013: RMB444,685,000), of which approximately RMB286,427,000 was utilized and approximately RMB230,573,000 was unutilized. Out of the unutilized banking facilities, approximately RMB155,000,000 was available for raising bank loans. As at 31 December 2014, bank borrowings of the Group amounted to approximately RMB230,240,000.

3. Capital structure

During the year, the Company allotted and issued 40,000,000 subscription shares to certain independent investors at the subscription price of HK$1.85 per share. 28,255,000 ordinary shares were issued upon the exercise of share options under the Company's share option scheme. In addition, 20,000,000 warrants were issued to certain independent investors at the warrant issue price of HK$0.01 per warrant pursuant to the warrants subscription agreement.

As at 31 December 2014, the share capital of the Company comprises 800,154,278 ordinary shares (2013: 731,899,278 ordinary shares).

As at 31 December 2014, net assets of the Group amounted to approximately RMB1,126,369,000 (2013: RMB1,018,554,000), comprising non-current assets of approximately RMB1,009,436,000 (2013: RMB901,197,000), net current assets of approximately RMB154,583,000 (2013: RMB147,785,000) and non-current liabilities of approximately RMB37,650,000 (2013: RMB30,428,000).

4. Significant investment

During the current year, the construction of the third phase of the Zhuhai site which mainly includes the plant and ancillary equipment and facilities was completed and put into operation. The Group has commenced the construction of the fourth phase of the Zhuhai site which mainly includes the assembly site and ancillary equipment and facilities. It is expected that the construction will be completed and put into operation in year 2015. The total investment is estimated to be approximately RMB50 million. In addition, the Group has acquired a parcel of leasehold land in Zhuhai, the area of which is approximately 78,000 square meters. This land will be used to expand the Zhuhai site.

For the year ended 31 December 2014, 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.

6. Assets pledged by the Group

As at 31 December 2014, 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 RMB214,010,000 in favor of a commercial bank in China. Approximately RMB31,498,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB19,950,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

7. Contingent liabilities

As at 31 December 2014, 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 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 2014 and at 31 December 2013 were as follows:

	2014	2013
	RMB'000	RMB'000
Bank borrowings	**230,240**	234,000
Total equity	**1,126,369**	1,018,554
Gearing ratio	**20.44%**	22.97%

9. Employees and remuneration policy

As at 31 December 2014, the Group had total 3,353 employees (2013: 3,299), of which 664 (2013: 629) were management and technical staff, and 2,689 (2013: 2,670) 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$0.01 per each ordinary share of the Company for the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors. The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2014.

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 2014, save and except the Company provides the two board members, namely Mr. Cao Yunsheng and Mr. Zhao Wuhui, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code as set out in Appendix 14 of the Listing Rules is to enhance the Company's efficiency and confidentiality.

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 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

In the reporting year, the Company issued 40,000,000 ordinary shares at the price of HK$1.85 per share, and 28,255,000 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 2014.

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 2014 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, 31 March 2015

As at the date of this announcement, the executive directors are Mr. Wang Lishan, Mr. Cao Yunsheng, Mr. Zhao Wuhui and Mr. Li Chunyi, the independent non-executive directors are Mr. Su Yang, Mr. Lan Rong, Mr. Xiang Qiang and Mr. Meng Liming.