JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03303)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Financial Highlights

- Turnover decreased by 30.74% to RMB658,566,000
- Gross profit decreased by 30.84% to RMB128,769,000
- Net profit attributable to owners of the Company decreased by 6.12% to RMB26,714,000
- Basic and diluted earnings per share were RMB0.0334
- The directors recommend the payment of final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 December 2015

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 2015 together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
Turnover	4	**658,566**	950,881
Cost of sales and services		**(529,797)**	(764,704)
Gross profit		**128,769**	186,177
Other income	5	**29,621**	7,018
Administrative expenses		**(126,912)**	(136,565)
Other operating expenses		**(4,577)**	(8,634)
Profit from operations		**26,901**	47,996
Finance costs	7	**(10,358)**	(16,763)
Share of profit of an associate		**17,872**	7,297
Profit before tax		**34,415**	38,530
Income tax expense	8	**(7,701)**	(10,074)
Profit for the year	9	**26,714**	28,456
Attributable to:			
Owners of the Company		**26,714**	28,456
Earnings per share	11		
		RMB	RMB
Basic		**3.34 cents**	3.74 cents
Diluted		**3.34 cents**	3.67 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015** **RMB'000**	2014 RMB'000
Profit for the year		**26,714**	28,456
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**9,654**	2,262
Other comprehensive income for the year, net of tax		**9,654**	2,262
Total comprehensive income for the year		**36,368**	30,718
Attributable to:			
Owners of the Company		**36,368**	30,718

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	Note	**2015**	2014
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**536,971**	525,442
Prepaid land lease payments		**482**	547
Goodwill		**191,084**	182,090
Intangible assets		**3,375**	3,366
Investment in an associate		**308,186**	290,314
Deferred tax assets		**765**	7,677
		1,040,863	1,009,436
Current assets			
Inventories		**25,618**	19,752
Trade and bills receivables	12	**164,587**	288,518
Gross amount due from customers for contract work	13	**189,967**	215,333
Prepayments, deposits and other receivables		**78,334**	65,325
Derivative financial instruments		**926**	-
Due from directors		**1,147**	1,387
Due from an associate		**398**	170
Current tax assets		**227**	1,417
Pledged bank deposits		**22,141**	31,498
Bank and cash balances		**58,486**	95,426
		541,831	718,826
Current liabilities			
Trade and bills payables	14	**141,290**	217,164
Gross amount due to customers for contract work	13	**16,483**	5,452
Accruals and other payables		**78,180**	107,025
Derivative financial instruments		**2,356**	-
Warranty provisions		**3,058**	2,701
Bank borrowings		**131,476**	230,240
Current tax liabilities		**154**	1,661
		372,997	564,243
Net current assets		**168,834**	154,583
Total assets less current liabilities		**1,209,697**	1,164,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred revenue		**21,331**	8,000
Deferred tax liabilities		**30,871**	29,650
		52,202	37,650
NET ASSETS		**1,157,495**	1,126,369
Capital and reserves			
Share capital		**7,506**	7,504
Reserves		**1,149,989**	1,118,865
TOTAL EQUITY		**1,157,495**	1,126,369

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 Company is an investment holding company. 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 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 (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622).

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 2014 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 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior years.

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 2015. 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.

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

In addition, in April 2015 the Stock Exchange released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2015	2014
	RMB'000	RMB'000
Revenue from construction contracts	**545,393**	828,139
Sales of goods	**37,810**	38,938
Other services rendered	**75,363**	83,804
	658,566	950,881

5. OTHER INCOME

	2015	2014
	RMB'000	RMB'000
Government grants recognised	**8,423**	1,000
Interest income on bank deposits	**842**	725
Net gain on disposals of property, plant and equipment	**-**	145
Net foreign exchange gains	**4,408**	623
Reversal of allowance for trade and other receivables	**3,075**	3,819
Reversal of impairment loss on gross amount due from customers for contract work	**5,970**	-
Reversal of allowance for inventories	**3,248**	-
Others	**3,655**	706
	29,621	7,018

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 expense. Segment assets do not include goodwill, investment in an associate, derivative financial instruments, current and deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank borrowings, derivative financial instruments, 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 2015				
Turnover from external customers	**113,172**	**501,139**	**44,255**	**658,566**
Segment profit	**22,954**	**101,656**	**4,159**	**128,769**
Depreciation and amortisation	**2,901**	**26,257**	**407**	**29,565**
Other material non-cash items:				
Allowance for trade and other receivables	**389**	**2,303**	**62**	**2,754**
Reversal of impairment losses on gross amount due from customers for contract work	**-**	**5,970**	**-**	**5,970**
Reversal of allowance for trade receivables	**-**	**3,075**	**-**	**3,075**
Additions to segment non-current assets	**1,933**	**40,127**	**21**	**42,081**
As at 31 December 2015				
Segment assets	**43,308**	**894,374**	**16,070**	**953,752**
Segment liabilities	**26,781**	**167,984**	**3,796**	**198,561**
Year ended 31 December 2014				
Turnover 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
Impairment losses on gross 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

6. SEGMENT INFORMATION (CONT'D)

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

	2015	2014
	RMB'000	RMB'000
Profit or loss		
Total profit or loss of reportable segments	**128,769**	186,177
Unallocated amounts:		
Finance costs	**(10,358)**	(16,763)
Other income	**29,621**	7,018
Other corporate expenses	**(131,489)**	(145,199)
Share of profit of an associate	**17,872**	7,297
Consolidated profit before tax for the year	**34,415**	38,530
Assets		
Total assets of reportable segments	**953,752**	1,081,377
Unallocated amounts:		
Bank and cash balances	**58,486**	95,426
Pledged bank deposits	**22,141**	31,498
Derivative financial instruments	**926**	-
Current tax assets	**227**	1,417
Deferred tax assets	**765**	7,677
Investment in an associate	**308,186**	290,314
Goodwill	**191,084**	182,090
Other corporate assets	**47,127**	38,463
Consolidated total assets	**1,582,694**	1,728,262
Liabilities		
Total liabilities of reportable segments	**198,561**	295,057
Unallocated amounts:		
Bank borrowings	**131,476**	230,240
Derivative financial instruments	**2,356**	-
Current tax liabilities	**154**	1,661
Deferred revenue	**21,331**	8,000
Deferred tax liabilities	**30,871**	29,650
Other corporate liabilities	**40,450**	37,285
Consolidated total liabilities	**425,199**	601,893

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

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

	Turnover		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**377,576**	576,354	**1,039,882**	1,001,449
Hong Kong	**-**	-	**216**	310
Singapore	**116,412**	133,546	**-**	-
Netherlands	**91,539**	122,935	**-**	-
Portugal	**51,453**	84,369	**-**	-
Other Asian Countries	**221**	22,661	**-**	-
Others	**21,365**	11,016	**-**	-
Consolidated total	**658,566**	950,881	**1,040,098**	1,001,759

7. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Interest on bank borrowings	**9,933**	16,265
Amount capitalised	**(521)**	(1,295)
	9,412	14,970
Others	**946**	1,793
	10,358	16,763

The weighted average capitalisation rate on funds borrowed generally is at a rate of 5.7% per annum (2014: 6.1%).

8. INCOME TAX EXPENSE

	2015	2014
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**157**	7,918
Over - provision in prior years	**(589)**	(479)
	(432)	7,439
Deferred tax	**8,133**	2,635
	7,701	10,074

(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 2015 and 2014.

(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/(crediting) the following:

		2015 RMB'000	2014 RMB'000
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**272,595**	324,869
	Retirement scheme contributions	**11,565**	12,011
	Share-based payments	**991**	2,133
		285,151	339,013
(b)	Others items:		
	Amortisation of intangible assets@	**1,176**	1,777
	Cost related to acquisition of a subsidiary	**-**	105
	Depreciation	**28,389**	25,256
	Net loss on disposals of property, plant and equipment*	**91**	-
	Net gain on disposals of property, plant and equipment#	**-**	(145)
	Net foreign exchange gains#	**(4,408)**	(623)
	Operating lease charges		
	- Plant and equipment	**7,757**	18,957
	- Land and buildings	**8,608**	10,658
	Research and development expenditure	**25,633**	21,043
	Auditor's remuneration	**1,061**	1,064
	Cost of inventories utilised in construction contracts and sold	**112,973**	222,118
	Allowance for inventories*	**-**	3,600
	Reversal of allowance for inventories#	**(3,248)**	-
	Allowance for trade and other receivables*	**2,754**	2,513
	Reversal of allowance for trade and other receivables#	**(3,075)**	(3,819)
	Impairment loss on gross amount due from customers for contract work*	**-**	1,558
	Reversal of impairment loss on gross amount due from customers for contract work#	**(5,970)**	-
	Fair value loss on derivative financial instruments*	**667**	-

* These amounts are included in "Other operating expenses"

\# These amounts are included in "Other income"

@ This amount is included in "Administrative expenses"

10. DIVIDENDS

	2015	2014
	RMB'000	RMB'000
2014 final dividend of HK$0.01 (2014: 2013 final dividend of HK$0.02) per ordinary share	**6,403**	11,737

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 of HK$0.01 per ordinary share 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:

	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**26,714**	28,456

	2015	2014
Number of shares		
Issued ordinary shares at 1 January	**800,154,278**	731,899,278
Effect of shares issued on subscription	**-**	17,753,425
Effect of shares issued on exercise of share options	**135,890**	11,857,123
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**800,290,168**	761,509,826
Effect of dilutive potential ordinary shares arising from share options	**218,184**	13,247,330
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**800,508,352**	774,757,156

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.

12. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	**146,506**	263,766
Allowance for doubtful debts	**(5,019)**	(7,463)
	141,487	256,303
Bills receivables	**23,100**	32,215
	164,587	288,518

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:

	2015	2014
	RMB'000	RMB'000
0 to 30 days	**71,522**	95,784
31 to 90 days	**37,171**	102,574
91 to 365 days	**10,949**	43,502
Over 365 days	**21,845**	14,443
	141,487	256,303

As at 31 December 2015, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB12,822,000 (2014: RMB7,335,000).

At 31 December 2015, bills receivables of approximately RMB18,600,000 (2014: RMB19,950,000) were pledged to banks to secure certain bank loans.

12. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately RMB5,019,000 (2014: RMB7,463,000). The reconciliation of allowance for trade receivables is as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**7,463**	8,808
Allowance for the year	**2,754**	2,474
Reversal	**(3,065)**	(3,819)
Amounts written off	**(2,133)**	-
At 31 December	**5,019**	7,463

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

	2015	2014
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**1,059,068**	1,212,844
Less: Progress billings	**(885,777)**	(1,002,084)
Add: Exchange differences	**193**	(879)
	173,484	209,881
Gross amount due from customers for contract work	**189,967**	215,333
Gross amount due to customers for contract work	**(16,483)**	(5,452)
	173,484	209,881

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 RMB12,931,000 (2014: RMB8,710,000). None of the retentions receivables is expected to be recovered after more than twelve months (2014: RMB2,938,000).

Advances received in respect of construction contracts amounted to approximately RMB8,369,000 at 31 December 2015 (2014: RMB7,445,000) and is included in accruals and other payables.

14. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**115,833**	205,777
Bills payables	**25,457**	11,387
	141,290	217,164

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

	2015	2014
	RMB'000	RMB'000
0 to 30 days	**64,535**	65,274
31 to 90 days	**21,423**	42,236
91 to 365 days	**20,835**	89,636
Over 365 days	**9,040**	8,631
	115,833	205,777

BUSINESS REVIEW

In 2015, global economic growth has generally slowed down and the oil and gas industry reached the trough of its cycle. As the overall oil supply around the world continued to outstrip demand, international oil prices overtook the previous low during the financial crisis. As a result, global capital expenditures on the oil and gas industry as well as the scale of the relevant engineering service market continued to shrink. International oil companies were struggling through this ice age for the industry by adopting measures to control investment and high-risk projects so as to control costs and number of staff.

Being a company mainly providing oil and gas facilities and equipment as well as professional technical support services, our customers include oil and gas enterprises, main oil and gas construction contractors and professional equipment manufacturing contractors. We also provide our customers with customised facilities and solutions. Since early 2015, we implemented cost and expenditure reducing measures including adjusting and streamlining structure and personnel, slashing and strictly control of various expenses, and optimising production and logistics management in order to enhance operation efficiency and maximise performance. Affected by the industry environment, the number of projects and work orders obtained by the Group fell in 2015 as compared with year 2014.

The contract of the subsea equipment for a deep water natural gas field in Australia was completed and delivered in early 2015 after over 30 months of fabrication since 2012. We achieved a record of zero injury for over 2 million working hours for this project, and the quality of the product exceeded customer's expectation and earned us the honour of "Year Recognition Contractor of 2014" from the end customer and build up a long-term global strategic partnership with this customer. After the completion and delivery of our first FPSO topside module project at the end of 2014, the Group has taken up another FPSO topside module project in 2015 for another world renowned oil equipment and facility supplier, thereby entering into the mainstream oil and gas fabrication market. Through partnership, we have received high regard from many internationally renowned customers. The newly contracted E-House facility-set manufacturing project, the fabrication of natural gas processing facility for Saudi Arabia and the fabrication of oil processing module to be installed in South America have commenced one by one during the year. We have also undertaken the construction of phase IV of our Zhuhai manufacturing site and installed new equipment and facilities so as to be well prepared for future business development.

Due to reduce of capital expenditures and service budgets of oil enterprises, the business of offshore oil and gas technical support services also declined in 2015. Facing unfavourable market circumstances, we surmounted the challenges by compressing our costs and launching more proactive marketing campaigns. We have also established the Zhoushan branch during the year to expand our business of offshore oil and gas technical support services further into the East China Sea region.

During the reporting year, the shipbuilding industry remained depressed, which has also caused pressure on our business of shipbuilding technical support services. In order to cope with market changes, our Dalian company has shifted its major business to the building of offshore engineering ships and deep water semi-submersible drilling rigs, and offshore engineering fabrication. In the meantime, we applied the successful experience that we learnt through years of collaboration with Dalian Shipbuilding Industry Offshore Company Limited to other markets including Liaohe, Yantai, Qingdao, Shanghai and Guangzhou. It has become the designated on-site drilling rig leg manufacturer in these five drilling platform fabrication sites, realising stable business development.

Our associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal"), has adequate work orders during the year. Its manufacturing activities have overall progressed steadily and achieved satisfactory operating results.

PROSPECTS

The market currently anticipates that global crude oil supply will continue to outstrip demand and international oil prices will stay low in the next few years. As such, international oil companies will insist on limiting scale, upholding efficiency, curtailing investment and cutting costs for a relatively long period. Nevertheless, the leading position of oil and gas over the world will remain unchanged and even become more competitive in the market.

In the coming year, we will implement reforms in terms of our corporate governance. For examples, operating entities and management departments will be streamlined while the allocation of staff, operations and production will have better coordination. Given the current market conditions, we will strictly control fixed asset investment, tighten internal control, optimise management procedures, improve efficiency and reduce costs so as to maintain sound cash flows, strengthen overall competitiveness and maximise our performance.

After years of marketing efforts, we have developed a number of new accounts leveraging on our smooth collaboration with existing customers. The successful deliveries of various quality projects have also earned us good international reputation. Looking ahead to the coming year, we will put additional efforts into marketing, particularly in the Middle East and North America. We will adjust our strategies and focus on key business regions and customers according to market changes.

Capitalising on our advantageous fabrication sites, facilities, technologies and techniques, we will foster our oil and gas fabrication business and module fabrication business, and continue to pursue technological advancements in the oil and gas sector. We will also expand into environmental protection business through studying and developing new operations in order to satisfy customers' needs while gaining new growth momentum.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial and business review

Turnover

In year 2015, the Group recorded turnover of approximately RMB658,566,000, representing a decrease of 30.74% or RMB292,315,000 as compared with year 2014. Turnover from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials decreased by 7.80% or RMB9,570,000 as compared with year 2014. Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business decreased by 34.86% or RMB268,201,000 as compared with year 2014. Turnover from the provision of technical support services for shipbuilding industry decreased by 24.74% or RMB14,544,000 as compared with year 2014. The decrease in turnover was mainly due to decline of workload in the reporting year because several important potential projects in tracking were suspended or cancelled as a consequence of substantial decrease of investment in oil and natural gas industry over falling oil prices, as well as an influence of the global shipbuilding market downturns.

The table below sets out the analysis of turnover by business segments for the years 2015, 2014 and 2013:

		For the financial year ended 31 December					
		2015		2014		2013	
	Business Segments	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**	**113,172**	**17**	122,742	13	113,336	13
2	**Fabrication of oil and gas facilities and oil and gas processing skid equipment**	**501,139**	**76**	769,340	81	732,924	82
3	**Provision of technical support services for shipbuilding industry**	**44,255**	**7**	58,799	6	43,567	5
	Total	**658,566**	**100**	950,881	100	889,827	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB529,797,000 in year 2015, representing a decrease of 30.72% or RMB234,907,000 as compared with year 2014.

Gross profit

The total gross profit of the Group for the year 2015 amounted to approximately RMB128,769,000, representing a decrease of 30.84% or RMB57,408,000 as compared with RMB186,177,000 in year 2014. The overall gross profit margin decreased from 19.58% in year 2014 to 19.55%. 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 23.96% in year 2014 to 20.28%, whereas the gross profit margin of the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased from 19.41% in year 2014 to 20.28%, and the gross profit margin of the provision of technical support services for shipbuilding industry business recorded a decrease from 12.71% in year 2014 to 9.4%.

The following shows the breakdown of gross profit by business segments for the years 2015, 2014 and 2013:

		For the financial year ended 31 December								
		2015			2014			2013		
	Business Segments	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	**22,954**	**20**	**18**	29,403	24	16	30,596	27	14
2	Fabrication of oil and gas facilities and oil and gas processing skid equipment	**101,656**	**20**	**79**	149,302	19	80	187,643	26	84
3	Provision of technical support services for shipbuilding industry	**4,159**	**9**	**3**	7,472	13	4	5,137	12	2
	Total	**128,769**		**100**	186,177		100	223,376		100

Other income

Other income of the Group increased by 322.07% or RMB22,603,000 as compared with year 2014. Other income recognised during the year mainly represents government grants recognised, net foreign exchange gains, reversal of impairment loss on gross amount due from customers for contract work, reversal of allowance for trade and other receivables, and the reversal of allowance for inventories.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 9.44% or RMB13,710,000 as compared with year 2014 to approximately RMB131,489,000, primarily due to decrease in staff costs from last year.

Finance costs

Finance costs reached approximately RMB10,358,000 in year 2015, which was mainly comprised of interests from bank borrowings of approximately RMB9,412,000 and bank charges and other finance costs of approximately RMB946,000.

Share of profit of an associate

The Group held 30% of equity interest in Penglai Jutal. In year 2015, Penglai Jutal recorded net profit of approximately RMB59,574,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB17,872,000 under the equity method of accounting.

Profit attributable to owners of the Company and earnings per share

In year 2015, profit attributable to owners of the Company amounted to approximately RMB26,714,000, which represented a decrease of 6.12% or RMB1,742,000 as compared to that of RMB28,456,000 in year 2014. Basic and diluted earnings per share attributable to owners of the Company for year 2015 were RMB0.0334.

2. Liquidity and financial resources

As at 31 December 2015, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB74,641,000 (2014: RMB108,510,000). During the year, net cash inflow from operating activities amounted to approximately RMB74,354,000, net cash outflow from investing activities amounted to RMB3,875,000, and net cash outflow from financing activities amounted to RMB104,997,000.

As at 31 December 2015, the Group had banking facilities amounted to approximately RMB688,743,000 (2014: RMB517,000,000), of which approximately RMB270,887,000 was utilised and approximately RMB417,856,000 was unutilised. Out of the unutilised banking facilities, approximately RMB212,124,000 was available for raising bank loans. As at 31 December 2015, bank borrowings of the Group amounted to approximately RMB131,476,000.

3. Capital structure

During the year, the Company issued 200,000 ordinary shares upon exercise of share options under the Company's share option scheme.

As at 31 December 2015, the share capital of the Company comprises 800,354,278 ordinary shares (2014: 800,154,278 ordinary shares).

As at 31 December 2015, net assets of the Group amounted to approximately RMB1,157,495,000 (2014: RMB1,126,369,000), comprising non-current assets of approximately RMB1,040,863,000 (2014: RMB1,009,436,000), net current assets of approximately RMB168,834,000 (2014: RMB154,583,000) and non-current liabilities of approximately RMB52,202,000 (2014: RMB37,650,000).

4. Significant investment

During the year, the construction of the fourth phase of the Zhuhai site which mainly includes the plant and ancillary equipment and facilities was completed.

For the year ended 31 December 2015, the Group did not have any other significant investment.

5. Foreign exchange risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Euro and United States dollars ("US$"). During the year, the Group started to enter into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

6. Assets pledged by the Group

As at 31 December 2015, approximately RMB22,141,000 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 RMB18,600,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

7. Contingent liabilities

As at 31 December 2015, 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 2015 and at 31 December 2014 were as follows:

	2015	2014
	RMB'000	RMB'000
Bank borrowings	**131,476**	230,240
Total equity	**1,157,495**	1,126,369
Gearing ratio	**11.36%**	20.44%

The decrease in gearing ratio during year 2015 resulted primarily from decrease of bank borrowings. After the substantially complete of the Group's fabrication site located in Zhuhai, the directors consider that the Group has sufficient funds to maintain the existing working capital requirement through cash flows generated from operation; existing level of bank borrowings and fund obtained from issue of additional shares.

9. Employees and remuneration policy

As at 31 December 2015, the Group had total 2,969 employees (2014: 3,353), of which 596 (2014: 664) were management and technical staff, and 2,373 (2014: 2,689) were technicians.

The Group encourages staff to long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. 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.

DIVIDEND

The directors recommend the payment of final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors. The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2015.

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 Listing Rules for the year ended 31 December 2015, 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 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

In the reporting year, the Company issued 200,000 ordinary shares upon exercise of share options under the Company's share option scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed interest in any of the Company’s listed shares during the year ended 31 December 2015.

PUBLICATION OF FINAL RESULTS

This results announcement will be published on the website of the Stock Exchange and the Company’s website (www.jutal.com). The annual report for the year ended 31 December 2015 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 2016

As at the date of this announcement, the executive directors are Mr. Wang Lishan, Mr. Cao Yunsheng, Mr. Tang Hui and Mr. Li Jing, the independent non-executive directors are Mr. Su Yang, Mr. Xiang Qiang and Mr. Qi Daqing.