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)

FORGE AHEAD WITH DETERMINATION

IN PURSUIT OF EXCELLENCE

2013 Annual Report



CONTENTS

Corporate Information

SHARE INFORMATION

Listing place	:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	:	03303
Listing date	:	21 September 2006
Stock name	:	Jutal Oil Ser
Issued shares	:	731,899,278 ordinary shares
Website	:	http://www.jutal.com

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan *(Chairman)*
Mr. Cao Yunsheng *(CEO)*
Mr. Chen Guocai
Mr. Zhao Wuhui

Independent non-executive directors

Mr. Su Yang
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Gao Liangyu

AUDIT COMMITTEE

Mr. Su Yang *(Chairman)*
Mr. Lan Rong
Mr. Xiang Qiang
Mr. Gao Liangyu

REMUNERATION COMMITTEE

Mr. Xiang Qiang *(Chairman)*
Mr. Su Yang
Mr. Lan Rong
Mr. Gao Liangyu

NOMINATION COMMITTEE

Mr. Gao Liangyu *(Chairman)*
Mr. Lan Rong
Mr. Su Yang
Mr. Xiang Qiang

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Mr. Luk Chi Tong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, Jardine House,
1 Connaught Place, Hong Kong

HEADQUARTERS IN THE PRC

10th Floor, Chiwan Petroleum Building,
Shekou, Nanshan District,
Shenzhen, The PRC 518068
Tel : (86 755) 2669-4111
Fax : (86 755) 2669-4666

LEGAL ADVISORS

As to Hong Kong law:

Gallant Y.T. Ho & Co.
5th Floor, Jardine House,
1 Connaught Place, Hong Kong

As to PRC law:

Commerce & Finance Law Offices
27C, Shenzhen Te Qu Bao Ye Building,
6008 Shennan Road, Futian District,
Shenzhen, The PRC

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

AUDITOR AND REPORTING ACCOUNTANT

RSM Nelson Wheeler
Certified Public Accountants
29th Floor,
Caroline Centre, Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman, KY1-1110,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong (Note)

INVESTOR ENQUIRY

Investor Relations
Jutal Offshore Oil Services Limited
10th Floor, Chiwan Petroleum Building
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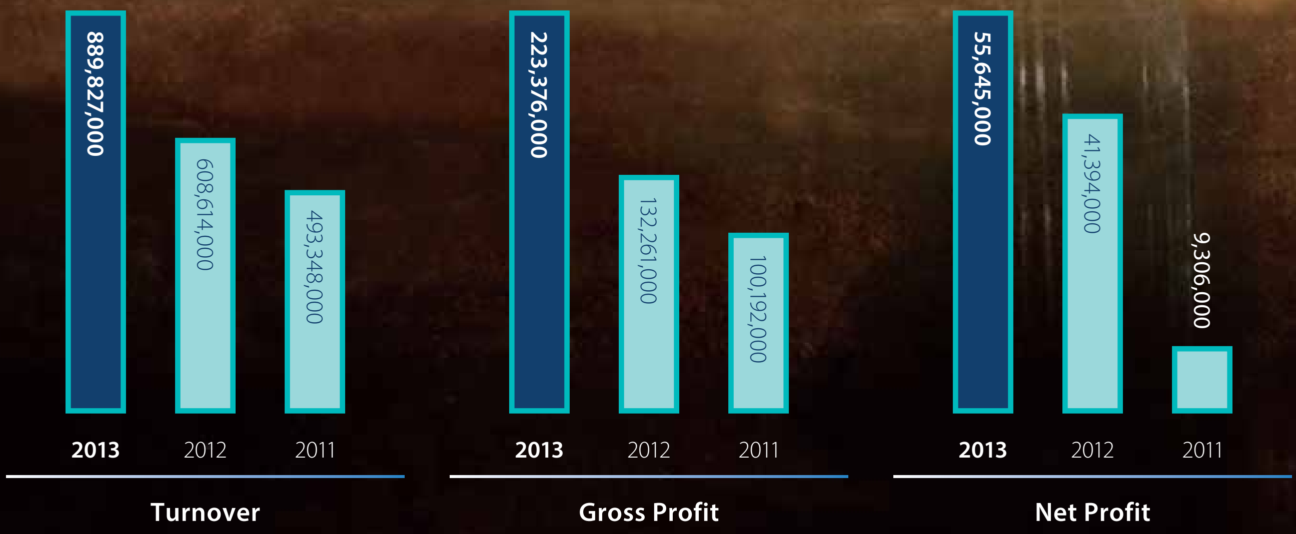
Note: The new address will become effective on 31 March 2014

Financial Highlights

1. RESULTS (RMB)



2. BASIC AND DILUTED EARNINGS PER SHARE

Profit attributable to owners of the Company was RMB55,645,000 for the year and the basic and diluted earnings per ordinary share were RMB0.0803 and RMB0.0781 respectively.

3. 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.

CEO Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 (the "Year") to the shareholders.

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.

CEO Statement

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 a high level, 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 development of our oil and gas services business in 2014. In addition, we will explore and study certain other new product and service lines to complement our integrated 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.

By Order of the Board

CAO Yunsheng

CEO

Hong Kong, 28 March 2014

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 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

Cost of sales 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 **RMB'000**	2012 RMB'000
Total 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 from year ended 31 December 2012, was mainly due to the Group raising additional bank borrowings to finance the construction of the third phase of the fabrication site located in Zhuhai and to use as working capital of the Group.

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.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Wang Lishan (王立山), aged 55, is an executive director and the chairman of the Company, who is responsible for the overall development strategic planning. He was graduated from Dalian Polytechnic University (大連理工大學) in 1982 with a bachelor's degree in offshore oil construction engineering. Mr. Wang has rich experience of management and administration in the oil and gas industries. Prior to joining the Group, he worked in Bohai Petroleum Company Platform Manufacturing Factory (渤海石油公司平臺製造廠) from 1982 to 1988 and Offshore Oil Company of Bohai Oil Company (渤海石油公司) from 1988 to 1995. Mr. Wang joined the Group in 1995, and was appointed as an executive director in November 2005.

Mr. Cao Yunsheng (曹雲生), aged 51, is an executive director and CEO of the Company, who is responsible for the overall operations of the Group. He was graduated from Tianjin College of Finance and Economics (天津財經學院) in 1988, majoring in accounting, and was graduated with a master degree in business administration from Tianjin University (天津大學) in 2004. Mr. Cao joined the Group in 2001 as the deputy general manager and is in charge of the finance, administration and the capital operations of the Group and supervision of the Group's cash-flow management. Prior to joining the Group, he was the supervisor of the finance department and chief accountant of Bohai Petroleum Company Platform Manufacturing Factory (渤海石油公司平臺製造廠), the chief accountant of China Offshore Oil Platform Construction Company (中國海洋石油平臺製造公司) and a financial controller of CNOOC Engineering. Mr. Cao was appointed an executive director in November 2005.

Mr. Chen Guocai (陳國才), aged 52, is an executive director and president of the Company, who assist the overall operations of the Group. He was graduated with a bachelor degree in petroleum engineering from the Southwest Petroleum Institute (西南石油學院) in 1982, and obtained a MBA degree from the Maastricht School of Management, the Netherlands. Mr. Chen joined China National Offshore Oil Corp. ("CNOOC") (中國海洋石油總公司) as engineer and operation manager in 1982. He Joined Yacheng 13-1 gas project in joint venture with an American Company Arco as CNOOC Chief Representative of the project, assumed a leadership role in the partnership with ARCO involving in project construction and field operations. He was then promoted to the position of Vice President of CNOOC Shanghai in 2001 and was transferred to CNOOC International as vice president in 2004. Mr. Chen joined the Group in February 2007 and was appointed as an executive director in April 2007. He has rich experiences in the petroleum industry ranging from field operation, engineering and construction, operational and corporate management, merger and acquisition, international and joint venture operation and management.

Mr. Zhao Wuhui (趙武會), aged 40, is an executive director and vice president of the Company, responsible for the finance and accounting management. Mr. Zhao graduated from Northeast Forestry University (東北林業大學) with a bachelor degree in accounting in 1998, and obtained a MBA degree from the University of Wales in 2009. He joined the Group in March 2002, had served as finance manager of the Group and deputy general manager of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. (蓬萊巨濤海洋工程重工有限公司). Prior to joining the Group, he had worked with Kerry Oils & Grains (China) Co., Ltd. (嘉裡糧油（中國）有限公司) and Everbright Timber Industry (Shenzhen) Co., Ltd. (光大木材工業（深圳）有限公司) as accountant and auditor. Mr. Zhao was appointed an executive director in May 2012.

Directors and Senior Management

Independent non-executive Director

Mr. Su Yang (蘇洋), aged 46, is an independent non-executive director of the Company. Mr. Su obtained a bachelor degree in statistics from Hunan University (湖南大學) and the Certificate of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 1992 and 1994 respectively. He has a wealth working experience in the field of accounting. Mr. Su had been project manager of Shenzhen Zhongcheng Certified Public Accountants (深圳中誠會計師事務所), department manager of Yuehua Certified Public Accountants Co., Ltd. Shenzhen (深圳岳華會計師事務所有限公司) and the head and principal partner of Shenzhen TaiYang Certified Public Accountants (深圳泰洋會計師事務所). He is currently the managing partner of Wuzhou Songde Certified Public Accountants(五洲松德聯合會計師事務所). Mr. Su was appointed as an independent non-executive director in August 2006.

Mr. Lan Rong (蘭榮), aged 54, is an independent non-executive director of the Company. He was graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1983 with a bachelor degree in investment finance and obtained a master degree in money and banking from Xiamen University (廈門大學) in 1997. He also obtained his EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in 2007. Mr. Lan has rich experience in finance, banking and investments. He had worked in Fujian Industrial Bank (福建興業銀行) and now is the Chairman of Industrial Securities Co., Ltd. (興業證券股份有限公司). Mr. Lan was appointed as an independent non-executive director in May 2008.

Mr. Xiang Qiang (項強), aged 50, is an independent non-executive director of the Company. Mr. Xiang graduated from Beijing Tsinghua University (清華大學) with a bachelor's degree in architectural structural engineering in 1986, and obtained his MBA degree from Xiamen University (廈門大學) in 2000, studied from 2005 to 2007 and obtained EMBA degree from Cheung Kong Graduate School of Business (長江商學院). Mr. Xiang has extensive senior managerial experience. He has been appointed as the general manager, chairman or president of various entities in China with focus on different areas such as hospitality, securities, real estate project management and development, etc.. Mr Xiang is currently the executive director and president of Scitech Group Company Limited(賽特集團有限公司). Mr. Xiang was appointed as an independent non-executive director in May 2008.

Mr. Gao Laingyu (高良玉), aged 49, is an independent non-executive director of the Company. He obtained his master degree of economics and his bachelor degree at Graduate Department of People's Bank of China (中國人民銀行研究生部) in 1991 and Nanjing Agriculture University (南京農業大學) in 1986 respectively and is an economist. Mr. Gao started his career in 1986 and the positions held by him include officer of the audits department of Nanjing Agriculture University, section chief of Finance Management Department of the People's Bank of China, the deputy division chief of Public Offering Supervision Department of the Chinese Securities Regulatory Commission (中國證券監督管理委員會), general manager and vice chairman of China Southern fund Management Limited (南方基金管理有限公司). At present he serves as the chairman of CSOP Asset Management Limited. Mr. Gao was appointed as an independent non-executive director in May 2009.

AUTHORISED REPRESENTATIVE AND COMPANY SECRETARY

Mr. Luk Chi Tong (陸志棠), aged 42, joined the Company in January 2007. Mr. Luk currently acts as the company secretary and the authorised representative of the Company. He has extensive auditing experience. He is a fellow of The Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. He Rugang (賀汝剛), aged 51, is the vice president of the Company, who is responsible for the Group's commercial business and market development. He was graduated from Tianjin University (天津大學) with a bachelor's degree in offshore oil construction. Mr. He Joined the Group in 1997 as a deputy general manager, and has been in the SBM Beijing Representative office, Dalian Shipbuilding Heavy Industry Group Offshore Engineering Co., Ltd. (大連船舶重工集團海洋工程有限公司), and CNOOC North Pars project as sales manager, deputy general manager and commercial manager respectively from year 2005 to year 2010. He was appointed the current position in January 2011. Prior to joining the Group, Mr. He had worked in CNOOC platform Fabrication Co. (中海油平臺製造公司) and Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司).

Mr. Li Jing (李靖), aged 46, is the vice president of the Company, who is responsible for the overall management of Jutal Offshore Oil Services (Zhuhai) Company Limited ("Zhuhai Jutal") (珠海巨濤海洋石油服務有限公司). He was graduated from Sun Yat-Sen University (中山大學) with a bachelor's degree in enterprise management. Mr. Li joined the Group in 1999, and had served as operation manager and the manager of New Star System Formwork Co., Limited (鑫星系統模版有限公司). Mr. Li also served as the deputy manager of Penglai Jutal Offshore Engineering Heavy Industry Co., Ltd. (蓬萊巨濤海洋工程重工有限公司) from the year 2004 to 2009. Prior to joining the Group, Mr. Li had worked in CNOOC platform Fabrication Co. (中海油平臺製造公司), Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司) and Shenzhen Chiwan Sambawang Engineering Co. Ltd. (深圳赤灣勝寶旺工程有限公司).

Mr. Guo Yong (郭勇), aged 52, is the vice president of the Company, who is responsible for the Group's commercial and marketing. Mr. Guo graduated from the Nanjing Institute of Chemical Technology (南京化工學院) with a bachelor degree in Chemical Machinery in 1983, and obtained his master's degree in engineering from Huazhong University of Science and Technology (華中工學院) in 1985. Mr. Guo had served as senior engineer and manager in Beijing Petrochemical Engineering Company (北京石化工程公司) and Technip Engineering Consulting (Shanghai) Co., Ltd.. Mr. Guo joined the Group in 2007.

Mr. Li Chunyi (李純毅), aged 62, is the assistant president of the Company and in charge of the commercial and marketing of the Bohai region. He joined the Group in 1999 and had served as the administration manager and the deputy manager of Tianjin Jutal. Prior to joining the Group, Mr. Li was a government official.

Mr. Jin Yan (金焱), aged 48, is the assistant president of the Company, who is responsible for the investor relations and the human resource management. He was graduated from the Mechanic Engineering Faculty of Nautical College (上海海運學院) (now the Engineering Mechanic Faculty of the Logistics Engineering College of Shanghai Maritime University (上海海事大學)) in 1988. Mr. Jin joined the Group in March 2000. Prior to joining the Group, Mr. Jin was the manager and deputy general manager of the property department of Shenzhen Gold Industries Co., Ltd. (深圳黃金實業有限公司) and the technical supervisor and deputy manager of the technical department of Shekou China Merchants Port Service (招商港蛇口港務有限公司).

Mr. Yang Bo (楊波), aged 42, is the assistant president of the Company and the manager of Jutal Marine Shipbuilding Engineering Services (Dalian) Co., Ltd. ("Dalian Jutal") (巨濤海洋船舶工程服務（大連）有限公司), a wholly-owned subsidiary of the Company, and is in charge of its overall operation. He was graduated from East China Shipbuilding Institute (華東船舶工業學院) with bachelor's degree in marine engineering in 1994. Mr. Yang joined the Group in May 2002 and had served as deputy manager and general manager of the Dalian subsidiary. Prior to joining the Group, he was the head of research office of Dalian Shipyard (大連造船廠).

Mr. Xu Zhe (徐喆), aged 38, is the assistant president of the Company, who is responsible for the Group's commercial and marketing. He was graduated from Wuhan University of Water Resources and Hydroelectric Engineering (武漢水利水電大學) with bachelor's degree in electro technology in 1996 and obtained a degree of executive master of business administration from the University of Texas at Arlington in 2011. Mr. Xu joined the Group in April 1998 and had served a number of positions in the Group including the project manager, procurement manager and commercial manager of the Group.

Directors' Report

The directors of the Company (the "Directors") present the annual report and the audited accounts of the Group for the year ended 31 December 2013.

PRINCIPLE ACTIVITIES

The principle activity of the Company is investment holding.

The Group is mainly engaged in providing integrated services, including fabrication and technical support services in offshore oil and gas and shipbuilding industry.

The activities of the principal subsidiaries are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's share premium reserve was approximately RMB755,972,000 (subject to section 34 of the Cayman Companies Law and the Article of Association of the Company), and the retained earnings approximately RMB46,839,000 were available for distribution to the shareholders of the Company (the "Shareholders").

Under the Companies Law of the Cayman Islands, the funds in the share premium account and the special reserve account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

RESULTS AND DIVIDENDS

Details of the Group's result for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 31.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement of the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

In 2013, the authorised share capital of the Company increased to HK$15,000,000 (comprising 1,500,000,000 ordinary shares) by the creation of an additional 800,000,000 ordinary shares.

In order to raise additional capital for its future business developments, to enhance its capital base and broaden its shareholders' base, on 10 May 2013, the Company top-up placed 50,000,000 ordinary shares at the price of HK$1.73 per share (net placing price being approximately HK$1.687 per share, closing price as at 10 May 2013 being HK$1.90 per share) to not less than six placees which were institutional, corporate/individual investors. 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 comprised of 731,899,278 ordinary shares (2012: 628,799,278 ordinary shares).

Details of the movements of the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

USE OF PROCEEDS

a) Top-up placing shares in 2013

The net proceeds raised from the top-up placing of 50,000,000 ordinary shares completed on 23 May 2013 amounted to approximately HK$84,244,000.

For the year ended 31 December 2013, approximately 50% of the proceeds was used for the construction of Zhuhai fabrication site and purchases of machineries and equipment and the remaining was used as general working capital of the Group.

b) Issue and exercise of warrants in 2012 and 2013

The net proceeds raised from the issue and exercise of 34,000,000 warrants pursuant to the Warrant Placing Agreement dated 11 September 2012 amounted to approximately HK$24,130,000 was used as general working capital of the Group for the years ended 31 December 2012 and 2013.

c) Placing shares in 2012

The net proceeds raised from the allot and issue 6,000,000 placing shares pursuant to the Placing Agreement dated 11 September 2012 amounted to approximately HK$3,510,000 was used as general working capital of the Group for the year ended 31 December 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 10 May 2013, 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, during the year ended 31 December 2013 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION

The Company's share option scheme ("Share Option Scheme") was adopted on 28 August 2006 by the way of passing resolutions by all of the then Shareholders of the Company with a valid period of 10 years commencing on the date on which the shares of the Company commenced trading on the main board of the Stock Exchange. The Share Option Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the board of Directors (the "Board"); and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The General Scheme Limit of the Share Option Scheme has been refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 27 May 2009. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 49,800,000 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares). The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

The General Scheme Limit of the Share Option Scheme has been further refreshed and approved by Shareholder's resolution at the Company's Annual General Meeting held on 25 May 2012. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 62,279,927 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (622,799,278 Shares). The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

According to the terms of the Share Option Scheme, the consideration for the grant of the options should be HK$1.00. The options may be exercised in accordance with the terms of the Share Option Scheme at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

From 1 January 2007 to 31 December 2013, the Board approved to grant and the Company has granted options to Directors and other eligible participants. Details of the options granted are as follows:

(i) Options granted in 2007

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2013	Number of options exercised during the year	Weighted average closing price of the Shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	–	–	–	–	2,000,000	0.27%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	–	–	–	–	1,000,000	0.14%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	–	–	–	–	1,000,000	0.14%
Zhao Wuhui	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	450,000	–	–	–	–	450,000	0.06%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	3,810,000	1,000,000	2.10	–	–	2,810,000	0.38%
Total					8,260,000	1,000,000		–	–	7,260,000	0.99%

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2013	Number of options exercised during the year	Weighted average closing price of the Shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	–	–	–	–	2,000,000	0.27%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	–	–	–	–	1,200,000	0.16%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	–	–	–	–	1,200,000	0.16%
Zhao Wuhui	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	500,000	–	–	–	–	500,000	0.07%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	9,070,000	1,750,000	1.99	–	–	7,320,000	1.00%
Total					13,970,000	1,750,000		–	–	12,220,000	1.66%

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2013	Number of options exercised during the year	Weighted average closing price of the Shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	–	–	–	–	800,000	0.11%
Chen Guocai	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	800,000	1.96	–	–	–	–
Zhao Wuhui	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	300,000	300,000	2.25	–	–	–	–
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	8,850,000	6,950,000	1.89	–	–	1,900,000	0.26%
Total					10,750,000	8,050,000		–	–	2,700,000	0.37%

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2013	Number of options exercised during the year	Weighted average closing price of the Shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	6,500,000	1,100,000	2.06	–	–	5,400,000	0.74%
Total					6,500,000	1,100,000		–	–	5,400,000	0.74%

(v) Options granted in 2011

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2013	Number of options exercised during the year	Weighted average closing price of the Shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2013	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	–	–	–	–	1,000,000	0.14%
Chen Guocai	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	500,000	1.72	–	–	500,000	0.07%
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	29,100,000	6,700,000	2.05	–	400,000	22,000,000	3.00%
Total					31,100,000	7,200,000		–	400,000	23,500,000	3.21%

Each option granted under the Share Option Scheme during the period gives the holder the right to subscribe for one Share. The price for granting the options is HK$1. The exercise price determined by the Board is not less than the highest of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of the share of the Company at the time of exercise of an option.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

The Directors during the year and to the date of this report were as follows:

Executive Directors	Date of appointment	Date of resignation
Mr. Wang Lishan	24 November 2005	–
Mr. Cao Yunsheng	24 November 2005	–
Mr. Chen Guocai	18 April 2007	–
Mr. Zhao Wuhui	25 May 2012	–

Independent Non-executive Directors	Date of appointment	Date of resignation
Mr. Su Yang	26 August 2006	–
Mr. Xiang Qiang	30 May 2008	–
Mr. Lan Rong	30 May 2008	–
Mr. Gao Liangyu	27 May 2009	–

Pursuant to the articles of association of the Company, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue as a Director throughout the meeting at which he retires.

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years, unless terminated by not less than 3 months' notice in writing served by either the Director or the Company. In other circumstances, each agreement can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the agreement or serious misconduct.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years. Save for the Directors' fees of RMB10,000 per month for each independent non-executive Director, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Apart from the foregoing, none of the Directors of the Company has entered into any service agreements with any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

The Group's emolument policies are as follows:

(i) the amount of remuneration is determined on a case by case basis depending on the Directors or employees' relevant experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided at the discretion of the Board to the relevant Directors or employees under their remuneration package; and

(iii) the Directors or employees who are eligible participants under the Share Option Scheme may be granted, at the discretion of the Board, the Share Option Scheme adopted by the Company, as part of their remuneration package.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 12, and note 39 to the consolidated financial statements, no contract of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION OF THE FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of Directors' remuneration and those of the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements, respectively.

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests of the Directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules, were as follows:

(i) The Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L) (Note 1)	54.23%
	Share options	4,000,000 (L)	0.55%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	12,000,000 (L)	1.64%
	Share options	4,000,000 (L)	0.55%
Chen Guocai	Interest of a controlled corporation (Note 4)	10,000,000(L)	1.37%
	Share options	2,700,000 (L)	0.37%
Zhao Wuhui	Share options	950,000 (L)	0.13%

(ii) Associated Corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares	Percentage of shareholding in the associated corporation
Wang Lishan	Cheung Hing Investments Limited (Note 5)	Beneficial owner	1 (L)	100%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.
3. The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.
4. The 10,000,000 shares are held by Sino Bright Management Limited, which is wholly-owned by Chen Guocai.
5. Cheung Hing Investments Limited in turn owns 1 ordinary share of Prospering Investments Limited (representing 100% shareholding in Prospering Investments Limited), and 1 ordinary share of Gold Designs International Limited (representing 100% shareholding in Gold Designs International Limited).

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2013. None of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons had has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested in 5% or more shares or underlying shares which be entered in the register maintained by the Company pursuant to section 336 of the SFO referred to therein:

Name of Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note 2)	396,911,278 (L) (Note 1)	54.23%

Notes:

1. The letter "L" denotes a long position in the Shares respectively.
2. The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, our chairman, director and substantial shareholder of the Company.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 31 December 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options exercised by the directors of the Company under the Share Option Scheme, no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 54.19% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 17.38% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 12.31% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 4.49% of the Group's total purchases.

Except Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore"), which is an associate (as defined under the Listing Rules) of Prospering Investments Limited, a company beneficially wholly-owned by Mr. Wang Lishan, who is the chairman, an executive director and a controlling shareholder of the Company (as defined under the Listing Rules), none of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

CONNECTED TRANSACTIONS

On 10 April 2012, the Company entered into the Master Service Agreement with the Dalian Shipbuilding Offshore, pursuant to which Dalian Shipbuilding Offshore agrees to engage the Group to provide construction support services including construction and other agreed services for a term of 31 months commencing from 1 June 2012 to 31 December 2014.

Dalian Shipbuilding Offshore is an associate (as defined under the Listing Rules) of Prospering Investments, a company beneficially wholly-owned by Mr. Wang, who is the chairman of the Company, an executive Director and a controlling Shareholder (as defined under the Listing Rules). Dalian Shipbuilding Offshore is therefore a connected person of the Company under the Listing Rules. As the relevant percentage ratios on an annual basis exceeds 5% and the transactions amount under the Master Service Agreement exceeds HK$10,000,000, the continuing connected transactions constitute non-exempt continuing connected transactions ("CCT") for the Company and are subject to the reporting and announcement requirements and requires the approval of the Independent Shareholders.

The Independent Shareholders approved the proposals regarding the CCT at the Extraordinary General Meeting held at 25 May 2012.

According to the rules 14A.37 of the Listing Rules, the independent non-executive directors had reviewed the CCT and confirmed that the CCT was:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Further, in accordance with Rule 14A.38 of the Listing Rules, the Company's external auditor was requested and engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The external auditor has confirmed in writing to the Board that nothing has come to its attention that causes it to believe that the CCT:

(1) have not been approved by the Board;

(2) were not, in all material respects, entered into in accordance with the pricing policies of the Group;

(3) were not, in all material respects, entered into in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the maximum aggregate annual value disclosed in previous announcement dated 10 April 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float since the listing of the shares on the Stock Exchange and as at the date of this report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint RSM Nelson Wheeler as external auditor of the Company. The Board confirms that there has been no change in auditors of the Company since 24 November 2005, date of incorporation.

On behalf of the Board

Wang Lishan

CHAIRMAN

Hong Kong

28 March 2014

Corporate Governance Report

The Company has adopted the Corporate Governance Code (the "Code Provisions") introduced in Appendix 14 of the Listing Rules to maintain a high standards of corporate governance so as to improve the corporate transparency and protect the interests of the Shareholders.

In the opinion of the Board, the Company has complied with the Code Provisions for the year ended 31 December 2013. There are four independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

BOARD

The Board currently comprises four executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng (CEO), Mr. Chen Guocai, Mr. Zhao Wuhui

Independent Non-executive Directors

Mr. Su Yang, Mr. Xiang Qiang, Mr. Lan Rong, Mr. Gao Liangyu

Mr. Wang Lishan and Mr. Cao Yunsheng are the chairman and the CEO of the Company respectively and the roles of chairman and the CEO are segregated and not exercised by the same individual. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best acknowledgment of the Company, among the members of the Board, none of them has any financial, business and relative relationship with the other members in the Board, including the chairman and the general manager. All of them are free to make independent judgments.

By the terms of the service contracts, for the executive Directors, and the appointment letters, for the independent non-executive Directors, the term for each Director is three years.

The responsibility of the Board is to lead and supervise the development direction and operation strategy of the Group, and to decide on material affairs of the Company such as the resolution of budget, resolution of profits allocation, significant investments and acquisitions, issue of new shares, amendments to the articles of association and appointments to senior management of the Company. While the management of the Company was given sufficiently autonomy by the Board to handle the daily ordinary course of administration and management, when the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of this independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

Corporate Governance Report

In respect of the corporate governance functions, during the year 2013, the Board performed corporate governance duties in accordance with the terms of reference on the corporate governance duties. To be specific, the Board mainly performed the following corporate governance duties during the year 2013:

- To review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To review and monitor the code of conduct applicable to directors and employees;
- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Directors participated in continuous professional development to develop and refresh their knowledge to ensure their contribution to the board remains informed and relevant. In the year, the Company provided reading materials relating to the corporate governance and the amendments of the Listing Rules to all the directors. Besides, the executive directors participated in the courses of performance appraisal and compensation management provided by professional institution, the independent non-executives directors participated in the courses related to internal controlling, financial products, securities business and accounting knowledge etc. respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for prepare the financial statements of the Group in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The statement of the external auditor of the company on their reporting responsibilities on the financial statements of the Group is set out in the independent auditor's report on page 30.

The Group has certain functions to be responsible for the internal control and risk management of the Company. The duties of the departments are to audit and review regularly the financial management, production and service procedures and documentation management system of the Company, and to report on the findings of the auditing. The executive Directors and senior management of the Group will be given a monthly financial report and management report so as to supervise the operation development of each business department and make reasonable planning.

The Board has conducted its annual review of the effectiveness of the system of internal control of the Group and agrees to the measures taken by the management for monitoring and risk controlling. The Board considered that the management should continue to maintain the company's system construction, conduct regular internal audits and strengthen the risk prediction capacity, as well as reporting on emergencies.

Furthermore, pursuant to the Code Provisions, the Board also reviewed the resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The board considered it is adequate of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmers and budget.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference which deal clearly with its duties. The audit committee of the Company has four members, including the four independent non-executive Directors of the Company, which are Mr. Su Yang, Mr. Lan Rong, Mr. Gao Liangyu and Mr. Xiang Qiang. Mr. Su Yang is the chairman of the audit committee. The primary duties of the audit committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms.

During the year, two audit committee meetings were held in the year to discuss and approve the financial statements and the dividend payment, renew the external auditor. The audit committee adopted the auditor's suggestion and comments that need to improve and made the management to implement. All members attended the meetings. The audit committee also discussed with the management of the internal control system, reviewed the Company's financial controls, internal control and risk management regulations.

The audit committee oversees the financial reporting process. In this process, the management of the Company is responsible for the preparation of Group's consolidated financial statements including the selection of suitable accounting policies. Independent external auditors are responsible for auditing the Group's consolidated financial statements and evaluating the Group's system of internal controls. The audit committee oversees the respective works of the management and the external auditors to monitor the processes and safeguards employed by them. The audit committee reports to the Board on its findings after each of its meeting.

The audit committee reviewed and discussed with management and external independent auditors the Group's consolidate financial statements for the year ended 31 December 2013. The audit committee also received reports and met with the independent auditors to discuss the general scope of their audit work and their assessment of Group internal controls.

Based on these reviews and discussions and the report of the independent auditors, the audit committee recommended for the Board's approval of the consolidated financial statements for the year ended 31 December 2013.

The audit committee also reviewed and recommended to the Board approval of the unaudited financial statements for the first six months of 2013, prior to public announcement and filing.

The audit committee recommended to the Board that the Shareholders be asked to re-appoint RSM Nelson Wheeler as the Group's external independent auditor for year 2014.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference which deal clearly with its duties. The remuneration committee comprises of four independent non-executive Directors, which are Mr. Lan Rong, Mr. Su Yang, Mr. Gao Liangyu and Mr. Xiang Qiang. Mr. Xiang Qiang is the chairman of the remuneration committee. The primary duties of the remuneration committee (inter alia) are to review and determine the remuneration package, bonus and other allowance terms payable to Directors and senior management, and to make proposals to the Board in respect of the remuneration policy and structure of all the Directors and senior management of the Group.

During the year, two remuneration committee meetings were held in the year to discuss and suggest:

(1) annual salary review for 2013 for the Directors and the senior management; and

(2) the remuneration policy.

All members attended the meetings.

NOMINATION COMMITTEE

The Company has established a nomination committee with specific written terms of reference which deal clearly with its duties. The nomination committee comprises of four independent non-executive directors, namely, Mr. Gao Liangyu, Mr. Su Yang, Mr. Lan Rong and Mr. Xiang Qiang. Mr. Gao Liangyu is the chairman of the nomination committee. The nomination committee is responsible to make proposals to the Board in respect of the appointment of Directors and the renewal plans of Directors. Basically the nomination procedure follows the articles of association of the Company. In considering the candidates, the nomination committee will take into account his past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the articles of association of the Company so as to make the composition of the board of directors filled with a variety and a balance of skills and experience.

During the year, one nomination committee meeting was held in the year to:

(1) decide the names of the directors who should retired and be elected or re-elected at the annual general meeting; and

(2) reviewing regularly the roles of directors by considering the issues of conflict of interest, their performance and conduct.

All members attended the meeting.

SUMMARY OF BOARD DIVERSITY POLICY

With a view to achieving a sustainable and balanced development, the Board approved to adopt the board diversity policy in August 2013. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to select the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

The nomination committee has reviewed the board diversity policy and considered that in order to achieve the objectives of the board diversity policy, the nomination committee should focus more on the professional experience and technical knowledge of the directors in their process of recommendation and recruitment.

THE DIRECTORS' ATTENDANCE AT THE MEETINGS

During the year 2013, the Board held five board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of meetings				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Mr. Wang Lishan	5/5	–	–	–	1/2
Mr. Cao Yunsheng	5/5	–	–	–	1/2
Mr. Chen Guocai	5/5	–	–	–	1/2
Mr. Zhao Wuhui	5/5	–	–	–	2/2
Mr. Su Yang	5/5	2/2	2/2	1/1	1/2
Mr. Xiang Qiang	5/5	2/2	2/2	1/1	1/2
Mr. Lan Rong	5/5	2/2	2/2	1/1	0/2
Mr. Gao Liangyu	5/5	2/2	2/2	1/1	0/2

Under provision A.6.7 of the Code Provisions, independent non-executive directors and other non-executive directors should also attend general meetings. Due to other business engagements, Mr. Wang Lishan, Mr. Su Yang, Mr. Xiang Qiang, Mr. Lan Rong and Mr. Gao Liangyu could not attend the extraordinary general meeting of the Company held on 26 April 2013, and Mr. Cao Yunsheng, Mr. Chen Guocai, Mr. Lan Rong and Mr. Gao Liangyu could not attend the annual general meeting of the Company held on 31 May 2013. However, there were other executive Directors and independent non-executive Director present at the general meetings to enable the Board to develop a balanced understanding of the views of shareholders of the Company and to answer questions raised at the general meetings.

THE AUDITOR'S REMUNERATION

RSM Nelson Wheeler is the Company's external auditor. Their remuneration for providing auditing services and other services for the Group during 2013 are as below:

	HK$
Audit services	1,030,000
Review of the interim report	200,000
Non-audit services	10,000

COMPANY SECRETARY

Mr. Luk Chi Tong was appointed as the Company Secretary in 2007. His biographical details are set out in the section headed "Directors' and Senior Management Biographies". For the financial year ended 31 December 2013, Mr. Luk attended relevant professional training for not less than 15 hours pursuant to new section 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Each general meeting other than an annual general meeting, shall be called an extraordinary general meeting. General meetings maybe held in any part of the world as may be determined by the Board.

According to Article No.58 of the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

An annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' notice. All other extraordinary general meetings may be called by not less than fourteen (14) clear days' notice.

Shareholders and investors are welcome to visit the Company's website and raise enquiries to our Board through our Investor Relations Department whose contact details are available on the website.

SIGNIFICANT CHANGES ON THE ARTICLES OF ASSOCIATION

During the year 2013, there is no significant change to the articles of association of the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

JUTAL OFFSHORE OIL SERVICES LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 77, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Turnover	6	**889,827**	608,614
Cost of sales and services		**(666,451)**	(476,353)
Gross profit		**223,376**	132,261
Other income	7	**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	9	**(13,731)**	(9,858)
Share of profit of an associate	20	**16,328**	31,247
Profit before tax		**68,201**	46,933
Income tax expense	10	**(12,556)**	(5,539)
Profit for the year	11	**55,645**	41,394
Attributable to:			
Owners of the Company		**55,645**	41,394
Earnings per share	14		
		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	15	427,337	372,098
Prepaid land lease payments	16	612	677
Goodwill	17	177,637	182,135
Intangible assets	18	1,504	2,107
Investment in an associate	20	283,017	296,689
Deferred tax assets	31	11,090	6,094
		901,197	859,800
Current assets			
Inventories	21	35,443	14,330
Trade and bills receivables	22	214,328	113,160
Gross amount due from customers for contract work	23	254,676	122,363
Prepayments, deposits and other receivables		69,767	43,317
Due from directors	24	1,796	1,772
Due from an associate	25	93	170
Current tax assets		222	222
Pledged bank deposits	26	18,486	6,607
Bank and cash balances	26	99,604	107,828
		694,415	409,769
Current liabilities			
Trade and bills payables	27	173,720	142,496
Gross amount due to customers for contract work	23	14,844	31,993
Accruals and other payables		112,392	65,568
Warranty provisions	28	1,936	528
Bank borrowings	29	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 RMB'000	2012 RMB'000
Non-current liabilities			
Deferred tax liabilities	*31*	**30,428**	24,111
NET ASSETS		**1,018,554**	874,275
Capital and reserves			
Share capital	*32*	**6,958**	6,133
Reserves	*35(a)*	**1,011,596**	868,142
TOTAL EQUITY		**1,018,554**	874,275

Approved by the Board of Directors on 28 March 2014

Wang Lishan
Chairman

Cao Yunsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital (Note 32) RMB'000	Share premium account (Note 35(c)) RMB'000	Special reserve (Note 35(c)) RMB'000	Convertible loan notes equity reserve (Note 35(c)) RMB'000	Foreign currency translation reserve (Note 35(c)) RMB'000	Share-based payment reserve (Note 35(c)) RMB'000	Warrants reserve (Note 35(c)) RMB'000	Statutory reserves (Note 35(c)) RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2012	6,084	645,832	(52,040)	2,951	(56,418)	12,125	–	25,472	241,056	–	825,062
Total comprehensive income for the year	–	–	–	–	392	–	–	–	41,394	–	41,786
Share-based payments	–	–	–	–	–	4,316	–	–	–	–	4,316
Issue of shares on placement (note 32(b))	49	2,795	–	–	–	–	–	–	–	–	2,844
Issue of warrants on placement (note 32(c))	–	–	–	–	–	–	267	–	–	–	267
Share options forfeited	–	–	–	–	–	(252)	–	–	252	–	–
Transfer to statutory reserves	–	–	–	–	–	–	–	3,496	(3,496)	–	–
2012 proposed final dividend	–	–	–	–	–	–	–	–	(10,187)	10,187	–
Changes in equity for the year	49	2,795	–	–	392	4,064	267	3,496	27,963	10,187	49,213
At 31 December 2012 and 1 January 2013	6,133	648,627	(52,040)	2,951	(56,026)	16,189	267	28,968	269,019	10,187	874,275
Total comprehensive income for the year	–	–	–	–	(5,619)	–	–	–	55,645	–	50,026
Share-based payments	–	–	–	–	–	2,790	–	–	–	–	2,790
Issue of shares on subscription (note 32(e))	400	66,995	–	–	–	–	–	–	–	–	67,395
Issue of shares on exercise of warrants (note 32(c))	272	19,035	–	–	–	–	(267)	–	–	–	19,040
Issue of shares on exercise of share options (note 32(d))	153	21,315	–	–	–	(5,006)	–	–	–	–	16,462
Share options forfeited	–	–	–	–	–	(85)	–	–	85	–	–
Transfer to statutory reserves	–	–	–	–	–	–	–	7,417	(7,417)	–	–
Dividends paid	–	–	–	–	–	–	–	–	(1,247)	(10,187)	(11,434)
2013 proposed final dividend	–	–	–	–	–	–	–	–	(11,564)	11,564	–
Changes in equity for the year	825	107,345	–	–	(5,619)	(2,301)	(267)	7,417	35,502	1,377	144,279
At 31 December 2013	6,958	755,972	(52,040)	2,951	(61,645)	13,888	–	36,385	304,521	11,564	1,018,554

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**68,201**	46,933
Adjustments for:			
Finance costs		**13,731**	9,858
Share of profit of an associate		**(16,328)**	(31,247)
Share-based payments		**2,790**	4,316
Interest income		**(412)**	(302)
Depreciation		**19,105**	15,948
Amortisation of prepaid land lease payments		**65**	65
Amortisation of intangible assets		**903**	847
Net loss/(gain) on disposals of property, plant and equipment		**133**	(6)
Allowances for trade and other receivables		**4,122**	5,689
Allowance for gross amount due from customers for contract work		**12,248**	–
Warranty provisions		**1,408**	528
Operating profit before working capital changes		**105,966**	52,629
Increase in inventories		**(21,113)**	(6,776)
Increase in trade and bills receivables		**(104,332)**	(48,345)
Increase in gross amount due from customers for contract work		**(144,561)**	(665)
Increase in prepayments, deposits and other receivables		**(27,408)**	(18,958)
Increase in amounts due from directors		**(24)**	(698)
Decrease/(increase) in amount due from an associate		**77**	(134)
Increase in pledged bank deposits		**(11,515)**	(5,454)
Increase in trade and bills payables		**31,224**	76,792
(Decrease)/increase in gross amount due to customers for contract work		**(17,149)**	26,345
Increase in accruals and other payables		**46,824**	25,434
Cash (used in)/generated from operations		**(142,011)**	100,170
Income taxes paid		**(6,095)**	(6,466)
Interest paid		**(11,650)**	(10,724)
Other finance costs		**(2,188)**	(1,203)
Net cash (used in)/generated from operating activities		**(161,944)**	81,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**412**	302
Purchases of property, plant and equipment		**(74,386)**	(78,095)
Proceeds from disposals of property, plant and equipment		**1**	458
Purchase of intangible assets		**(300)**	(432)
Decrease in finance lease receivables		**–**	1,351
Dividends received from an associate		**30,000**	–
Net cash used in investing activities		**(44,273)**	(76,416)

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**234,000**	128,430
Repayment of bank loans		**(126,000)**	(99,430)
Dividends paid	*13*	**(11,434)**	–
Net proceeds from issue of shares on subscription	*32(e)*	**67,395**	–
Proceeds from issue of shares on exercise of warrants	*32(c)*	**19,040**	–
Proceeds from issue of shares on exercise of share options	*32(d)*	**16,462**	–
Net proceeds from issue of share on placement	*32(b)*	**–**	2,844
Net proceeds from issue of warrants on placement	*32(c)*	**–**	267
Net cash generated from financing activities		**199,463**	32,111
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,754)**	37,472
Effect of foreign exchange rate changes		**(1,106)**	392
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**108,125**	70,261
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**100,265**	108,125
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**99,604**	107,828
Pledged bank deposits		**661**	297
		100,265	108,125

Pledged bank deposits can be reconciled to the consolidated statement of financial position as follows:

	2013 RMB'000	2012 RMB'000
Pledged bank deposits (mature in three months or less)	**661**	297
Pledged bank deposits (mature after three months)	**17,825**	6,310
	18,486	6,607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 principal activities of its subsidiaries are set out in note 19 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2013, Cheung Hing Investments Limited, a company incorporated in the Samoa, is the immediate and ultimate parent; and Mr. Wang Lishan is the ultimate controlling party of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 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.

(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 associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (x) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates (cont'd)

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) carrying amount of the investment at the date of disposal and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 – 44 years
Plant and machinery	5 – 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Leasehold land	Over the lease period

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents property, plant and machinery under construction or pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Patents and computer software

Patents and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

(g) Leases

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Leases (cont'd)

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Inventories

Inventories for trading, representing raw materials, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Inventories for construction contracts, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue are recognised by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Accruals and other payables".

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loan notes equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Revenue from the sales of equipments and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenues from the rendering of technical consultancy services and repair and maintenance services are recognised when the services are rendered. Revenues from the rendering of services other than technical consultancy and repair and maintenance services are recognised by reference to stage of completion using percentage of completion method as mentioned below:

Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(x) Impairment of assets

At the end of each period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories, gross amount due from customers for contract work and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(e) Allowance for receivables

Management determines the allowance for trade and other receivables and amounts due from customers for contract work. This estimate is based on the collection history of its customers and the current market condition. Management reassess the provision of allowances at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of the receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Accounting for variation orders of construction contracts

The Group makes claims for additional work performed, which may arise either under specific circumstances provided for under the contracts or due to variation made to the contract specifications by customers. Where the amounts of such claims have not been formally agreed at the end of reporting period, the amount recoverable as estimated by management is included in the contract value in determining the estimated profit or foreseeable loss on the contract.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Hong Kong dollars ("HK$") and United States dollars ("US$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2013, if the US$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB2,174,000 (2012: RMB1,691,000) lower, arising mainly as a result of the foreign exchange loss on bank deposits and net position of trade and bills receivables and trade and bills payables denominated in US$. If the US$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profits after tax for the year would have been approximately RMB2,174,000 (2012: RMB1,691,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits and net position of trade and bills receivables and trade and bills payables denominated in US$.

(b) Credit risk

Credit risk arises mainly from trade and other receivables, gross amount due from customers for contract work and bank and cash balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

In respect of trade and other receivables and gross amount due from customers for contract work, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2013, there were 3 (2012: 2) customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 58% (2012: 28%) of the Group's total trade and other receivables.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Group's financial liabilities mature within one year.

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. Part of the bank deposits and bank borrowings bear interests at variable rates varied with the then prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 December 2013, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB790,000 lower (2012: RMB697,000 lower), arising mainly as a result of lower interest income from bank deposits. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB790,000 higher (2012: RMB697,000 higher), arising mainly as a result of higher interest income from bank deposits.

The Group's other fixed-rate bank borrowings and bank deposits, bear fixed interest rates and therefore are subject to fair value interest rate risks.

(e) Categories of financial instruments at 31 December

	2013 RMB'000	2012 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**340,385**	242,928
Financial liabilities:		
Financial liabilities at amortised cost	**482,946**	323,216

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. TURNOVER

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

	2013 RMB'000	2012 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

7. OTHER INCOME

	2013 RMB'000	2012 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

8. 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.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. 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, deferred tax assets, current 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.

8. SEGMENT INFORMATION (CONT'D)

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 gross 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

8. 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

8. 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.

Revenue from major customers:

		2013	2012
		RMB'000	RMB'000
Fabrication of oil and gas facilities and oil and gas processing skid equipment			
Customer	A	**151,651**	71,729
	B	**153,733**	71,036
	C	**128,945**	32,058
	D	**48,841**	53,623
Provision of technical support services for shipbuilding industry			
Customer	D	**27,180**	56,165
Provision of technical supporting and related services for oil and gas industry and sales of equipment and materials			
Customer	A	**51,199**	47,933
	B	**931**	135
	C	**2**	209
	D	**20,486**	19,507

9. FINANCE COSTS

	2013 RMB'000	2012 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%).

10. INCOME TAX EXPENSE

	2013 RMB'000	2012 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 (Note 31)	**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.

10. INCOME TAX EXPENSE (CONT'D)

(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.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax (excluding share of profit of an associate)	**51,873**	15,686
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	**12,968**	3,922
Tax effect of income that is not taxable	**(650)**	(137)
Tax effect of expenses that are not deductible	**8,121**	2,792
Tax effect of tax losses not recognised	**1,508**	151
Tax effect of utilisation of tax losses not previously recognised	**(7,865)**	–
Tax effect of temporary differences not recognised	**(46)**	(251)
Deferred tax on undistributed earnings of the PRC subsidiaries and an associate	**579**	2,280
Under-provision in prior years	**116**	1,162
Effect of different tax rates of subsidiaries	**(2,175)**	(4,380)
Income tax expense	**12,556**	5,539

The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

11. PROFIT FOR THE YEAR

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

	2013 RMB'000	2012 RMB'000
Amortisation of intangible assets	**903**	847
Depreciation	**19,105**	15,948
Directors' emoluments (Note 12)	**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"

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wang Lishan	**–**	**1,341**	**–**	**–**	**24**	**1,365**
Cao Yunsheng	**–**	**1,042**	**–**	**84**	**24**	**1,150**
Chen Guocai	**–**	**1,042**	**–**	**84**	**24**	**1,150**
Zhao Wuhui (note (b))	**–**	**558**	**–**	**–**	**24**	**582**
	–	**3,983**	**–**	**168**	**96**	**4,247**
Independent non-executive directors						
Su Yang	**120**	**–**	**–**	**–**	**–**	**120**
Lan Rong	**120**	**–**	**–**	**–**	**–**	**120**
Xiang Qiang	**120**	**–**	**–**	**–**	**–**	**120**
Gao Liangyu	**120**	**–**	**–**	**–**	**–**	**120**
	480	**–**	**–**	**–**	**–**	**480**
Total for 2013	**480**	**3,983**	**–**	**168**	**96**	**4,727**
Executive directors						
Wang Lishan	–	1,302	–	–	17	1,319
Cao Yunsheng	–	1,192	–	137	17	1,346
Chen Guocai	–	1,192	–	137	17	1,346
Tian Huiwen (note (a))	–	59	–	–	–	59
Zhao Wuhui (note (b))	–	–	–	–	–	–
	–	3,745	–	274	51	4,070
Independent non-executive directors						
Su Yang	120	–	–	–	–	120
Lan Rong	120	–	–	–	–	120
Xiang Qiang	120	–	–	–	–	120
Gao Liangyu	120	–	–	–	–	120
	480	–	–	–	–	480
Total for 2012	480	3,745	–	274	51	4,550

Notes:

(a) Resigned on 25 May 2012

(b) Appointed on 25 May 2012. During the period from 25 May 2012 to 31 January 2013, Mr. Zhao Wuhui was also engaged by an associate of the Group, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") as the deputy general manager. Emoluments of RMB533,000 was paid by Penglai Jutal for his services rendered during this period. Mr. Zhao Wuhui has agreed to waive his emoluments as the capacity of executive director of the Company during this period.

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2013 and 2012.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

The five highest paid individuals in the Group during the year included 3 (2012: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2012: 2) individuals are set out below:

	2013 **RMB'000**	2012 RMB'000
Basic salaries and allowances	**2,264**	2,320
Discretionary bonus	**–**	–
Share-based payments	**326**	451
Retirement benefits scheme contributions	**24**	17
	2,614	2,788

The emoluments fell within the following band:

	Number of individuals	
	2013 **RMB'000**	2012 RMB'000
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2013 **RMB'000**	2012 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 amounting to HK$14,293,000 (approximately to RMB11,434,000) for the year ended 31 December 2012 was approved and paid during the year.

14. EARNINGS PER SHARE

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

	2013 RMB'000	2012 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Leasehold land RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2012	67,156	39,524	12,104	14,174	192,773	27,906	353,637
Additions	424	8,993	3,373	3,256	–	64,118	80,164
Reclassification	91,134	–	–	–	–	(91,134)	–
Disposals	(38)	(424)	(233)	(460)	–	–	(1,155)
At 31 December 2012 and 1 January 2013	**158,676**	**48,093**	**15,244**	**16,970**	**192,773**	**890**	**432,646**
Additions	**638**	**10,595**	**3,620**	**1,269**	**–**	**58,371**	**74,493**
Reclassification	**26,537**	**–**	**–**	**–**	**–**	**(26,537)**	**–**
Disposals	**–**	**(203)**	**(256)**	**–**	**–**	**–**	**(459)**
Exchange realignment	**–**	**(9)**	**(5)**	**(14)**	**–**	**–**	**(28)**
At 31 December 2013	**185,851**	**58,476**	**18,603**	**18,225**	**192,773**	**32,724**	**506,652**
Accumulated depreciation							
At 1 January 2012	11,543	16,065	5,459	10,451	1,785	–	45,303
Charge for the year	3,871	3,984	2,173	1,636	4,284	–	15,948
Disposals	(3)	(87)	(233)	(380)	–	–	(703)
At 31 December 2012 and 1 January 2013	**15,411**	**19,962**	**7,399**	**11,707**	**6,069**	**–**	**60,548**
Charge for the year	**5,431**	**4,914**	**2,749**	**1,727**	**4,284**	**–**	**19,105**
Disposals	**–**	**(69)**	**(256)**	**–**	**–**	**–**	**(325)**
Exchange realignment	**–**	**(7)**	**(5)**	**(1)**	**–**	**–**	**(13)**
At 31 December 2013	**20,842**	**24,800**	**9,887**	**13,433**	**10,353**	**–**	**79,315**
Carrying amount							
At 31 December 2013	**165,009**	**33,676**	**8,716**	**4,792**	**182,420**	**32,724**	**427,337**
At 31 December 2012	143,265	28,131	7,845	5,263	186,704	890	372,098

At 31 December 2013 the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB219,847,000 (2012: RMB2,190,000).

The Group's leasehold land represent payments for land use rights situated in the PRC under medium-term leases.

16. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
At 1 January	**677**	742
Amortisation of prepaid land lease payments	**(65)**	(65)
At 31 December	**612**	677

The Group's prepaid land lease payments represent payments for land use rights situated in the PRC under medium-term leases.

At 31 December 2012 the carrying amount of prepaid land lease payments pledged as security for the Group's bank borrowings amounted to approximately RMB677,000.

17. GOODWILL

	RMB'000
Cost and carrying amount	
At 1 January 2012, 31 December 2012 and 1 January 2013	182,135
Exchange difference	(4,498)
At 31 December 2013	177,637

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the CGUs which represents the share of interest in an associate. As at 31 December 2013, no impairment loss on goodwill is identified.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates, budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business of the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5% (2012: 5%). This rate does not exceed the average long-term growth rate for the relevant markets. The discount rate applied to cash flow forecasts is 15.20% (2012: 16.21%).

18. INTANGIBLE ASSETS

	Patents and computer software RMB'000
Cost	
At 1 January 2012	3,983
Additions	432
At 31 December 2012 and 1 January 2013	**4,415**
Additions	**300**
At 31 December 2013	**4,715**
Accumulated amortisation	
At 1 January 2012	1,461
Amortisation for the year	847
At 31 December 2012 and 1 January 2013	**2,308**
Amortisation for the year	**903**
At 31 December 2013	**3,211**
Carrying amount	
At 31 December 2013	**1,504**
At 31 December 2012	2,107

The Group's patents and computer software protect the design and specification of certain type of the Group's products and services. The average remaining amortisation period of patents and computer software is 2.3 years (2012: 2.5 years).

19. SUBSIDIARIES

Particulars of the major subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Directly held:					
Jutal Investment Limited	British Virgin Islands	5 ordinary shares of US$1 each	100%	–	Investment holding
Indirectly held:					
Jutal Engineering Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of technical supporting and related services for oil and gas industry and sale of equipment and materials
Jutal Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	–	100%	Investment holding
Hong Kong Jutal Holdings Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Investment holding
Stand Success Resources Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
巨濤油田服務(天津)有限公司* (Jutal Oilfield Services (Tianjin) Company Limited)	PRC	Registered capital of HK$10,000,000	–	100%	Provision of technical supporting and related services for oil and gas industry and sale of equipment and materials
深圳巨濤機械設備有限公司* (Shenzhen Jutal Machinery Equipment Company Limited)	PRC	Registered capital of RMB100,000,000	–	100%	Fabrication of oil and gas facilities and oil and gas processing skid equipment, provision of technical supporting and related services for oil and gas industry and sale of equipment and materials and provision of technical support services for shipbuilding industry
珠海巨濤海洋石油服務有限公司# (Zhuhai Jutal Offshore Oil Services Company Limited)	PRC	Registered capital of US$18,154,000	–	100%	Design and manufacture of oil and gas processing skid equipment
巨濤海洋船舶工程服務(大連)有限公司# (Jutal Offshore Shipbuilding Services (Dalian) Company Limited)	PRC	Registered capital of HK$33,330,000	–	100%	Provision of technical support services for shipbuilding industry
成都巨濤油氣工程有限公司 (Chengdu Jutal Oil and Gas Engineering Company Limited)	PRC	Registered capital of RMB3,000,000	–	100%	Provision of technical supporting and related services for oil and gas industry

* Registered as a wholly-foreign-owned enterprise established in the PRC

\# Registered as a sino-foreign equity joint venture established in the PRC

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

20. INVESTMENT IN AN ASSOCIATE

	2013 RMB'000	2012 RMB'000
Unlisted investments:		
Share of net assets	**283,017**	296,689

Details of the Group's associate at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing
Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") (蓬萊巨濤海洋工程重工有限公司)	PRC	Registered capital of US$43,500,000	30%

Principal activities:

Sales and construction of facilities for provision of offshore oil and natural gas exploration and production operation, quayside machinery, chemical engineering facilities and steel formation design, fabrication, installation and repair, offshore back office as well as quayside and warehouse services.

Penglai Jutal is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of Penglai Jutal.

	2013 RMB'000	2012 RMB'000
At 31 December		
Non-current assets	**976,252**	1,007,169
Current assets	**481,573**	404,134
Non-current liabilities	**(138,494)**	(95,250)
Current liabilities	**(375,940)**	(327,089)
Net assets	**943,391**	988,964
Group's share of net assets	**283,017**	296,689

20. INVESTMENT IN AN ASSOCIATE (CONT'D)

	2013 RMB'000	2012 RMB'000
Year ended 31 December		
Revenue	**878,401**	1,099,952
Profit from continuing operations	**54,428**	104,156
Other comprehensive income	**–**	–
Total comprehensive income	**54,428**	104,156
Dividends received from the associate	**30,000**	–

As at 31 December 2013, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to approximately RMB92,685,000 (2012: RMB70,495,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**35,443**	14,330

22. 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 receivables generally range from 30 to 60 days. The credit terms for retentions receivables 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 RMB'000	2012 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).

22. TRADE AND BILLS RECEIVABLES (CONT'D)

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 RMB'000	2012 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

As of 31 December 2013, trade receivables of approximately RMB52,524,000 (2012: RMB7,844,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 3 months	**46,798**	3,352
3 to 6 months	**4,579**	1,749
Over 6 months	**1,147**	2,743
	52,524	7,844

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	**147,015**	80,678
US$	**67,313**	31,058
HK$	**–**	1,424
Total	**214,328**	113,160

23. 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	1,150,568	684,120
Less: Progress billings	(906,351)	(591,377)
Less: Exchange differences	(4,385)	(2,373)
	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.

24. DUE FROM DIRECTORS

Amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Terms	Balance at 31 December 2013 RMB'000	Balance at 1 January 2013 RMB'000	Maximum amount outstanding during the year RMB'000
Wang Lishan	Unsecured, interest-free and no fixed repayment terms	1,291	1,296	1,381
Cao Yunsheng	Unsecured, interest-free and no fixed repayment terms	499	469	534
Chen Guocai	Unsecured, interest-free and no fixed repayment terms	6	7	13
		1,796	1,772	

25. DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 30 to the financial statements. The pledged bank deposits are in RMB, HK$ and US$ and at fixed interest rate range from 0.15% to 0.35% per annum (2012: 0.15% to 0.35% per annum) and therefore are subject to foreign currency risk and fair value interest rate risk.

The carrying amounts of the Group's pledged bank deposits and bank and cash balances are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	**102,858**	83,645
HK$	**1,416**	772
US$	**13,728**	29,917
Macau Pataca	**88**	101
	118,090	114,435

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND BILLS PAYABLES

The 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

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	**168,399**	140,695
US$	**5,321**	1,681
HK$	**–**	67
Euro	**–**	53
Total	**173,720**	142,496

28. WARRANTY PROVISIONS

	2013 RMB'000	2012 RMB'000
At 1 January	**528**	–
Additional provisions	**1,408**	528
At 31 December	**1,936**	528

The warranty provision represents the Group's best estimate of the Group's liability under 18 – 60 months warranties granted to its customers on fabrication of subsea equipment contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the industry average of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

29. BANK BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank borrowings	**234,000**	126,000

The bank borrowings are repayable as follows:

	2013 RMB'000	2012 RMB'000
On demand or within one year	**234,000**	126,000
In the second year	**–**	–
	234,000	126,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(234,000)**	(126,000)
Amount due for settlement after 12 months	**–**	–

The carrying amounts of the Group's bank borrowings are denominated in RMB.

The average interest rate of the Group's bank borrowings at 31 December 2013 was 5.77% (2012: 7.82%) per annum.

Bank borrowings of approximately RMB234,000,000 (2012: RMB106,000,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank borrowings as at 31 December 2012 were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank borrowings of approximately RMB80,000,000 (2012: RMB7,000,000) are secured by a charge over the Group's property, plant and equipment amounted to approximately RMB219,847,000 (2012: prepaid land lease payments and property, plant and equipment amounted to RMB677,000 and RMB2,190,000 respectively).

30. BANKING FACILITIES

As at 31 December 2013, the Group had banking facilities of approximately RMB444,685,000 (2012: RMB327,025,000) of which approximately RMB279,369,000 (2012: RMB156,888,000) were utilised.

As at 31 December 2013, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB44,869,000 (2012: RMB27,242,000).

As at 31 December 2013, the Group's banking facilities are secured by:

(a) Pledges of the Group's bank deposits of approximately RMB18,486,000 (2012: RMB6,607,000).

(b) Corporate guarantees with an aggregate amount of approximately RMB179,000,000 (2012: RMB129,000,000) executed by the Company.

(c) Corporate guarantees with an aggregate amount of approximately RMB115,000,000 (2012: RMB100,000,000) jointly executed by the Company and its subsidiaries.

(d) Corporate guarantees with an aggregate amount of approximately RMB148,800,000 (2012: RMB65,200,000) executed by subsidiaries of the Company.

31. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Accelerated tax depreciation RMB'000	Investment in an associate RMB'000	Recognition of contracting income RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	2,522	16,058	1,279	1,488	–	(1,241)	20,106
Charge to profit or loss for the year (note 10)							
– Changes in temporary differences	(792)	1,701	(3,098)	579	–	(479)	(2,089)
At 31 December 2012 and 1 January 2013	**1,730**	**17,759**	**(1,819)**	**2,067**	**–**	**(1,720)**	**18,017**
Charge to profit or loss for the year (note 10)							
– Changes in temporary differences	**500**	**399**	**9,901**	**180**	**(9,193)**	**(466)**	**1,321**
At 31 December 2013	**2,230**	**18,158**	**8,082**	**2,247**	**(9,193)**	**(2,186)**	**19,338**

31. DEFERRED TAX (CONT'D)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax liabilities	**30,428**	24,111
Deferred tax assets	**(11,090)**	(6,094)
	19,338	18,017

At the end of reporting period the Group has unused tax losses of approximately RMB51,525,000 (2012: RMB36,078,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB36,774,000 (2012: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximate RMB14,751,000 (2012: RMB36,078,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,505,000 that can be carried forward by five years. Other tax losses may be carried forward indefinitely. (2012: unrecognised tax losses of approximately RMB643,000, RMB20,000,000, RMB952,000 and RMB385,000 that can be carried forward by five years, four years, three years and one year respectively. Other tax losses may be carried forward indefinitely.)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and an associate for which deferred tax liabilities have not been recognised is approximately RMB10,025,000 (2012: RMB9,446,0000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Note	**Number of Shares**	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.01 (2012: HK$0.01) each			
At 1 January 2012, 31 December 2012 and 1 January 2013		700,000,000	7,000
Creation of additional ordinary shares	*(a)*	800,000,000	8,000
At 31 December 2013		1,500,000,000	15,000

	Note	**Number of Shares**	**Amount** HK$'000	**Equivalent to Amount** RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2012: HK$0.01) each				
At 1 January 2012		622,799,278	6,228	6,084
Issue of shares on placement	*(b)*	6,000,000	60	49
At 31 December 2012 and 1 January 2013		628,799,278	6,288	6,133
Exercise of warrants	*(c)*	34,000,000	340	272
Exercise of share options	*(d)*	19,100,000	191	153
Issue of shares on subscription	*(e)*	50,000,000	500	400
At 31 December 2013		731,899,278	7,319	6,958

32. SHARE CAPITAL (CONT'D)

Note:

(a) By an ordinary resolution passed at an Extraordinary General Meeting held on 26 April 2013 the authorised ordinary share capital of the Company was increased from HK$7,000,000 to HK$15,000,000 by the creation of 800,000,000 shares of HK$0.01 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) On 11 September 2012, the Company and President Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 6,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.6 per share. The placement was completed on 25 September 2012 and the premium on the issue of shares, amounting to approximately RMB2,795,000, net of share issue expenses, was credited to the Company's share premium account.

(c) On 11 September 2012, the Company and President Securities (Hong Kong) Limited entered into a warrant placing agreement in respect of the placement of 34,000,000 warrants of HK$0.01 each to independent investors. Each warrant entitle the holder to subscribe for one new ordinary share of the Company at subscription price of HK$0.7 for a period of 24 months from the date of issue. The placement was completed on 25 September 2012 and the proceeds on the issue of warrants, amounting to approximately RMB267,000, net of warrant issue expenses, was credited to the Company's warrants reserve account.

34,000,000 warrants were exercised by the warrant holders during the year ended 31 December 2013 to subscribe for a total of 34,000,000 ordinary shares in the Company at total consideration of approximately HK$23,800,000, equivalent to approximately RMB19,040,000 of which approximately RMB272,000 was credited to share capital and the balance of approximately RMB18,768,000 was credited to the share premium account. Approximately RMB267,000 has been transferred from the warrants reserve to the share premium account.

(d) Share options were exercised by option holders during the year ended 31 December 2013 to subscribe for a total of 19,100,000 ordinary shares in the Company at total consideration of approximately HK$20,576,000, equivalent to approximately RMB16,462,000 of which approximately RMB153,000 was credited to share capital and the balance of approximately RMB16,309,000 was credited to the share premium account. Approximately RMB5,006,000 has been transferred from the share-based payment reserve to the share premium account.

(e) On 10 May 2013, Cheung Hing Investments Limited (the immediate parent of the Company and is wholly-owned by Mr. Wang Lishan, who is the chairman and an executive director of the Company) ("Cheung Hing") entered into the placing and subscription agreement with the Company, and Oriental Patron Securities Limited (the "Placing Agent") pursuant to which (i) Cheung Hing has agreed to place and the Placing Agent has agreed to procure the placing of maximum 50,000,000 existing shares of the Company, to not less than six independent placees at HK$1.73 per share. (the "Placing") (ii) Cheung Hing has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue shares which are equal to the number of the shares places under the Placing at HK$1.73 per subscription share (the "Subscription").

The Placing was completed on 13 May 2013 and 50,000,000 existing shares of the Company were placed by Cheung Hing through the Placing Agent to not less than six placees.

The Subscription was completed on 23 May 2013 and 50,000,000 ordinary shares of the Company of HK$0.01 each were allotted and issued to Cheung Hing. The premium on the issue of shares, amounting to approximately RMB66,995,000, net of share issue expenses, was credited to the Company's share premium account.

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 adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is bank borrowings divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

32. SHARE CAPITAL (CONT'D)

The gearing ratio as at the 31 December 2013 is as follows:

	2013 RMB'000	2012 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 from year ended 31 December 2012, was mainly due to the Group raising additional bank borrowings to finance the construction of the third phase of the fabrication site located in Zhuhai and to use as working capital of the Group.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2013, 42.76% (2012: 33.38%) of the shares were in public hands.

33. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company adopted a share option scheme (the "Scheme") on 28 August 2006. The Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employees, Directors (including independent non-executive directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, Substantial Shareholders of each member of the Group, associates of the Directors and Substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or Substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors (excluding an independent non-executive Director who is the Grantee of the Options). In addition, any share options granted to a Substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval taken on a poll and a circular must be sent to the Shareholders.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

33. SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (cont'd)

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
2007A	16 March 2007	16 March 2007 to 15 March 2008	16 March 2008 to 15 March 2017	1.68
2007B	16 March 2007	16 March 2007 to 15 March 2009	16 March 2009 to 15 March 2017	1.68
2008A	12 March 2008	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12 March 2008	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62
2009A	14 August 2009	14 August 2009 to 13 August 2010	14 August 2010 to 13 August 2019	0.92
2009B	14 August 2009	14 August 2009 to 13 August 2011	14 August 2011 to 13 August 2019	0.92
2010A	27 May 2010	27 May 2010 to 26 May 2013	27 May 2013 to 26 May 2020	0.93
2010B	27 May 2010	27 May 2010 to 26 May 2014	27 May 2014 to 26 May 2020	0.93
2010C	27 May 2010	27 May 2010 to 26 May 2015	27 May 2015 to 26 May 2020	0.93
2011A	23 May 2011	23 May 2011 to 22 May 2013	23 May 2013 to 22 May 2021	1.06
2011B	23 May 2011	23 May 2011 to 22 May 2014	23 May 2014 to 22 May 2021	1.06

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**70,580,000**	**1.21**	71,580,000	1.21
Forfeited during the year	**(400,000)**	**1.06**	(1,000,000)	1.43
Exercised during the year	**(19,100,000)**	**1.08**	–	
Outstanding at the end of the year	**51,080,000**	**1.26**	70,580,000	1.21
Exercisable at the end of the year	**30,530,000**	**1.42**	32,980,000	1.41

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.8 years (2012: 6.9 years) and the exercise price ranges from HK$0.92 to HK$1.68 (2012: HK$0.92 to HK$1.68).

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 RMB'000	2012 RMB'000
Investments in a subsidiary	372,417	353,163
Prepayments, deposits and other receivables	1,297	27
Due from subsidiaries	442,886	389,917
Bank and cash balances	1,251	1,343
Accruals and other payables	(1,104)	(871)
Due to subsidiaries	(32,796)	(57,321)
Financial guarantee contract liability	(59,621)	(65,729)
NET ASSETS	724,330	620,529
Share capital	6,958	6,133
Reserves	717,372	614,396
TOTAL EQUITY	724,330	620,529

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account RMB'000	Convertible loan notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Warrants reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2012	645,832	2,951	(90,866)	12,125	–	22,914	–	592,956
Share-based payments	–	–	–	4,316	–	–	–	4,316
Issue of shares on placement (note 32(b))	2,795	–	–	–	–	–	–	2,795
Issue of warrants on placement (note 32(c))	–	–	–	–	267	–	–	267
Share options forfeited	–	–	–	(252)	–	252	–	–
Profit for the year	–	–	–	–	–	14,062	–	14,062
2012 proposed final dividend	–	–	–	–	–	(10,187)	10,187	–
At 31 December 2012 and 1 January 2013	648,627	2,951	(90,866)	16,189	267	27,041	10,187	614,396
Share-based payments	–	–	–	2,790	–	–	–	2,790
Issue of shares on subscription (note 32(e))	66,995	–	–	–	–	–	–	66,995
Issue of shares on exercise of warrants (note 32(c))	19,035	–	–	–	(267)	–	–	18,768
Issue of shares on exercise of share options (note 32(d))	21,315	–	–	(5,006)	–	–	–	16,309
Share options forfeited	–	–	–	(85)	–	–	–	(85)
Profit for the year	–	–	(11,412)	–	–	21,045	–	9,633
Dividends paid	–	–	–	–	–	(1,247)	(10,187)	(11,434)
2013 proposed final dividend	–	–	–	–	–	(11,564)	11,564	–
At 31 December 2013	755,972	2,951	(102,278)	13,888	–	35,275	11,564	717,372

35. RESERVES (CONT'D)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(t) to the financial statements.

(iii) Special reserve

The special reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation as set out in the prospectus of the Company dated 11 September 2006.

(iv) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d)(iii) to the financial statements.

(vi) Convertible loan notes equity reserve

The convertible loan notes equity reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in note 3(o) to the financial statements.

(vii) Warrants reserve

Warrants reserve represents fair value of consideration received from the subscription of warrants as details in note 32(c). It is transferred to share premium account when the warrant is exercised or released directly to retained profits when the warrant is expired.

36. CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

37. CAPITAL COMMITMENTS

The Group's capital commitments at the end of reporting period are as follows:

	2013 **RMB'000**	2012 RMB'000
Property, plant and equipment contracted but not provided for	**51,481**	8,846

38. LEASE COMMITMENTS

At 31 December 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**8,020**	1,161
In the second to fifth years, inclusive	**1,652**	762
After five years	**612**	636
	10,284	2,559

Operating lease payments represent rentals payable by the Group for certain of its office, staff quarters, warehouses, machineries and motor vehicles. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

39. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	Note	2013 RMB'000	2012 RMB'000
Sales of materials to an associate, Penglai Jutal		**248**	–
Subcontracting expenses paid/payable to a related company, Ocean Shine Decal Industries (Shenzhen) Ltd ("Ocean Shine")	*(a)*	**–**	622
Contract revenue and other sales income received/receivable from a related company, Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore")	*(b)*	**64,455**	68,797

(a) Ocean Shine is a company incorporated in the PRC with limited liability and beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company.

(b) Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company. At 31 December 2013, contract revenue receivable of approximately RMB374,000 (2012: RMB352,000) from Dalian Shipbuilding Offshore was included in the Group's trade and bills receivables.

The related party transactions in respect of item (a) and (b) above constitute a connected transaction and continuing connected transactions respectively, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Directors' Report on pages 23 to 24.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

FINANCIAL SUMMARY

(All amounts in RMB'000 unless otherwise stated)

SUMMARY OF FINANCIAL DATA ANNOUNCED IN PREVIOUS FIVE YEARS

INCOME STATEMENT

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
Turnover	396,111	428,066	493,348	608,614	**889,827**
Profit for the year attributable to owners of the Company	66,706	67,472	9,306	41,394	**55,645**

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
Total assets	893,128	823,262	1,059,559	1,269,569	**1,595,612**
Total liabilities	(256,627)	(166,870)	(234,497)	(395,294)	**(577,058)**
Total equity	636,501	656,392	825,062	874,275	**1,018,554**

Notes:

1. The results for the year ended 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013 and assets and liabilities as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013 were extracted from the audited consolidated statement of profit or loss and the audited consolidated statement of financial position.