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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)

**Very Substantial Acquisition
in relation to the acquisition of
70% Equity Interest in
Penglai Jutal Offshore Engineering
Heavy Industries Company Limited**

Financial adviser



Euto Capital Partners Limited

THE ACQUISITION

The Board is pleased to announce that on 27 November 2017, Zhuhai Jutal, an indirect wholly-owned subsidiary of the Company, has successfully won the tender for the acquisition of Target Equity Interest. As such, on 27 November 2017, Zhuhai Jutal and the Vendor entered into the Equity Transfer Agreement, pursuant to which Zhuhai Jutal has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Equity Interest, representing 70% equity interest in Penglai Jutal, at the Consideration of RMB571,868,400 (equivalent to approximately HK\$680,523,396). The Consideration will be settled by the Group in full in cash.

As at the date of this announcement, Stand Success, an indirectly wholly-owned subsidiary of the Company, directly holds 30% equity interest in Penglai Jutal. Upon Completion, the Company will indirectly hold in aggregate the entire equity interest in Penglai Jutal and hence Penglai Jutal will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (a) further details of the Acquisition; (b) the financial information of the Group; (c) the financial information of Penglai Jutal; (d) the unaudited pro forma financial information of the Enlarged Group; as a result of Acquisition; (e) a notice convening the EGM; and (f) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 December 2017 in order to allow sufficient time for the preparation of the necessary information for inclusion in the circular.

GENERAL

As the Equity Transfer Agreement will only become effective upon the occurrence of certain events that set out in the Equity Transfer Agreement, the Acquisition may or may not take place. Shareholders and potential investors of the Company are reminded to exercise extreme caution when dealing in the securities of the Company.

INTRODUCTION

On 25 September 2017, the Vendor has arranged to dispose of its Target Equity Interest, representing 70% equity interest in Penglai Jutal at the initial ask price of RMB630,859,600 through open tender on SUAEE. The initial tender period for the Target Equity Interest on SUAEE was taken place from 25 September 2017 to 26 October 2017. As no bid was received during the initial tender period, the Vendor had exercised at its option to proceed with, and reduce the ask price to RMB571,868,400 (equivalent to approximately HK\$680,523,396) for the second round of tender, which were taken place between 30 October 2017 and 24 November 2017. The Company had submitted its tender on 24 November 2017.

The Board is pleased to announce that on 27 November 2017, Zhuhai Jutal, an indirect wholly-owned subsidiary of the Company, has successfully won the tender for the acquisition of Target Equity Interest. As such, on 27 November 2017, Zhuhai Jutal and the Vendor entered into the Equity Transfer Agreement, pursuant to which Zhuhai Jutal has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Equity Interest, representing 70% equity interest in Penglai Jutal, at the Consideration of RMB571,868,400 (equivalent to approximately HK\$680,523,396). The Consideration will be settled by the Group in full in cash.

THE EQUITY TRANSFER AGREEMENT

A summary of the principal terms of the Equity Transfer Agreement are set out below:

- Date:** 27 November 2017
- Parties:** (a) 深圳赤灣勝寶旺工程有限公司 (Shenzhen Chiwan Sembawang Engineering Co., Ltd.*), being the Vendor; and
- (b) Zhuhai Jutal, being the purchaser.

As at the date of this announcement, Stand Success, an indirectly wholly-owned subsidiary of the Company, owns 30% equity interest in Penglai Jutal. Therefore, Penglai Jutal is an associate company of the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its ultimate shareholders is an Independent Third Party.

Equity interest to be acquired

Pursuant to the Equity Transfer Agreement, Zhuhai Jutal has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Equity Interest, representing 70% equity interest in Penglai Jutal.

Consideration

The Consideration of RMB571,868,400 (equivalent to approximately HK\$680,523,396) shall be payable by Zhuhai Jutal to the Vendor in full in cash in the following manners:

- (a) RMB171,560,520 (equivalent to approximately HK\$204,157,019), being 30% of the Consideration, as security payment, which had been paid by Zhuhai Jutal to SUAEE and has formed part of the Consideration; and
- (b) RMB400,307,880 (equivalent to approximately HK\$476,366,377), being the remaining balance of the Consideration, shall be payable to an account designated by SUAEE within five (5) Business Days upon the Equity Transfer Agreement becomes effective.

The total Consideration of RMB571,868,400 paid to the account designated by SUAEE will be transferred to the account designated by the Vendor upon the issuance of transfer certificate by SUAEE.

As at the date of this announcement, the Group intends to satisfy the Consideration by the external borrowing and internal resources of the Company in the amount of RMB400.30 million (equivalent to approximately HK\$476.4 million), representing 70% of the Consideration, and RMB171.56 million (equivalent to approximately HK\$204.16 million), representing 30% of the Consideration, respectively. The Group has identified certain banks for provision of the said fund and negotiation has been undergone.

Basis of the determination of the Consideration

The Consideration was determined by arm's length negotiation conducted by the Vendor and the Purchaser based on (a) the ask price offered by the Vendor of RMB571,868,400 (equivalent to approximately HK\$680,523,396); and (b) the valuation of Penglai Jutal of RMB571,868,400 conducted by the Valuer based on asset-based method with reference to the total assets and liabilities of Penglai Jutal as at 31 December 2016 (the "**Valuation**").

In determining the Consideration, the Directors have reviewed the financial information of Penglai Jutal as at 30 June 2017 and appointed Colliers International (Hong Kong) Limited ("**Colliers**"), an independent professional valuer, to re-assess and express an independent opinion on the market value of 100% equity interest of Penglai Jutal (the "**Reassessed Valuation**"). Based on the preliminary valuation prepared on market approach prepared by Colliers, the fair market value of 100% equity interest of Penglai Jutal is approximately RMB 1,920,143,000 as at 30 September 2017. The Directors have discussed with Colliers in respect of the major assumptions of the Reassessed Valuation and considered that the preliminary valuation of Penglai Jutal prepared by Colliers are made after due and careful enquiry. As the fair value under the said valuation reports were not determined using the income approach based on the discounted cash flow method, both the Valuation and the Reassessed Valuation does not constitute a profit forecast under Rule 14.61 of the Listing Rules.

In particular, the Directors have considered other factors including the outlook and development of the fabrication services provided by Penglai Jutal in the PRC market, future planning for development and strategic synergies between the Company and Penglai Jutal. In light of the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Effective date of the Equity Transfer Agreement

The Equity Transfer Agreement will become effective on the next Business Day following (i) the due execution of the Equity Transfer Agreement by the respective legal representatives of both parties; (ii) the passing of the resolutions by the Shareholders at the EGM approving the Equity Transfer Agreement, and the transactions contemplated thereunder pursuant to the requirements of the Listing Rules and all other relevant rules and regulations and (iii) the payment of dividend, which has been declared, by Penglai Jutal to the Vendor. The said conditions precedent cannot be waived.

Completion

The Group shall make the payment of the remaining balance of the Consideration to the SUAEE within five (5) Business Days after the effective date of the Equity Transfer Agreement. SUAEE will issue the transfer certificate upon receipt of the remaining balance of the Consideration. The board of directors of Penglai Jutal will pass the relevant resolution for the transfer of the Target Equity Interest within three (3) Business Days upon receipt of the transfer certificate issued by the SUAEE. Then the filing of registration documents for the change of shareholding with relevant PRC authorities will be taken place within three (3) Business Days from the date of the said board resolution of Penglai Jutal. The Completion will then take place upon the transfer of payment of the Consideration by SUAEE to the Vendor.

As at the date of this announcement, Stand Success directly holds 30% equity interest in Penglai Jutal. Upon Completion, the Company will indirectly hold in aggregate the entire equity interest in Penglai Jutal and hence Penglai Jutal will become an indirect wholly-owned subsidiary of the Company and the financial results of Penglai Jutal shall be consolidated into the Company's consolidated financial statements.

INFORMATION OF THE VENDOR

The Vendor is a company established in the PRC and is principally engaged in, among other things, production of steel products for the use of the operation of offshore constructions.

INFORMATION OF PENGLAI JUTAL

Penglai Jutal is a company established in the PRC in 2001 with limited liability which is owned as to 30% and 70% by Stand Success and the Vendor respectively, hence Penglai Jutal is an associate company of the Company as at the date of this announcement. The principal business activities of Penglai Jutal are the provision of offshore oil and natural gas exploration and production operation, quayside machinery, chemical engineering facilities and steel formation design, fabrication, installation and repair, marine logistics services as well as quayside and warehouse services.

Set out below is the audited financial information of Penglai Jutal prepared under the generally Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2016 and the six months ended 30 June 2017:

	For the year ended 31 December		For six months ended 30 June
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net profit before tax	79,328	116,894	143,630
Net profit after tax	63,835	99,580	107,224

The net asset value of Penglai Jutal was approximately RMB1,034,280,000 (equivalent to approximately HK\$1,231,436,000) and RMB1,141,504,000 (equivalent to approximately HK\$1,358,390,000) as at 31 December 2016 and 30 June 2017, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (a) the provision of technical support services in offshore oil and gas industry; (b) fabrication of oil and gas facilities and oil and natural gas processing skid equipment; and (c) the provision of technical support services to the shipbuilding industry.

Although Penglai Jutal's business and the Company's principal business are in the same industry, Penglai Jutal especially has a good performance and customer base in natural gas processing modules, natural gas chemical plant modules and construction of large-scale mining and offshore oil and gas platform. The Acquisition will enable the Company to carry on the said business which Penglai Jutal is skilled at, particularly natural gas processing modules, natural gas chemical plant modules, and provide a fuller spectrum of services to its customers.

The Directors believe that the Acquisition is in the best interests of both the Group and the Shareholders as a whole as (a) there has been recorded a growing trend in the net profit of Penglai Jutal from approximately RMB63.8 million for the year ended 31 December 2015 to approximately RMB99.6 million for the year ended 31 December 2016; and (b) it will improve the management and administration efficiency in the business operations of Penglai Jutal. Therefore, through acquiring the Target Equity Interest, the Group can capture the net profit of Penglai Jutal to the full extent.

Based on the above, the Board considers that the Acquisition is in the interest of the Company and the Shareholders as a whole and that the terms of the Equity Transfer Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, (a) further details of the Acquisition; (b) the financial information of the Group; (c) the financial information of Penglai Jutal; (d) the unaudited pro forma financial information of the Enlarged Group as a result of the Acquisition; (e) a notice convening the EGM; and (f) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 December 2017 in order to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

GENERAL

As the Equity Transfer Agreement will only become effective upon the occurrence of certain events that set out in the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise extreme caution when dealing in the securities of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the proposed acquisition of Target Equity Interest by Zhuhai Jutal from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in the PRC are open for general banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Jutal Offshore Oil Services Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB571,868,400 (equivalent to approximately HK\$680,523,396) for the Acquisition
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held to consider and, if thought fit, approve the ordinary resolution in respect of the Equity Transfer Agreement and the Acquisition
“Enlarged Group”	the Group as enlarged by the Acquisition upon Completion
“Equity Transfer Agreement”	the equity transfer agreement dated 27 November 2017 entered into between Zhuhai Jutal and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Penglai Jutal”	Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司), a company established in the PRC with limited liability and is owned as to 30% by Stand Success and 70% by the Vendor respectively as at the date of this announcement, hence an associate company of the Company
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stand Success”	Stand Success Resources Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUAEE”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
“Target Equity Interest”	the 70% equity interest in Penglai Jutal
“Valuer”	Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), the professional valuer commissioned by the Vendor for the purpose of the public tender, which is an Independent Third Party
“Vendor”	Shenzhen Chiwan Sembawang Engineering Co., Ltd.* (深圳赤灣勝寶旺工程有限公司), a company established in the PRC with limited liability
“Zhuhai Jutal”	Zhuhai Jutal Offshore Oil Services Company Limited* (珠海巨濤海洋石油服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC
“%” per cent.

** For identification purposes only*

By order of the Board
Jutal Offshore Oil Services Limited
Liu Lei
Chairman

Hong Kong, 27 November 2017

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1=HK\$1.19. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the executive Directors are Mr. Liu Lei (Chairman), Mr. Wang Lishan, Mr. Lin Ke, Mr. Cao Yunsheng, Mr. Cao Huafeng and Mr. Sergey Borovskiy; and the independent non-executive Directors are Mr. Su Yang, Mr. Zheng Yimin and Mr. Qi Daqing.

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.