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)

2021 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,042,142,000 a 57.53% increase from the same period in last year.
- Gross profit was RMB263,505,000 a 48.46% increase from the same period in last year.
- Profit attributable to owners of the Company was RMB98,301,000 a 288% increase from the same period in last year.
- Basic earnings per share was RMB5.966 cents and diluted earnings per share was RMB5.901 cents for the six months ended 30 June 2021.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2021.

The board (the "**Board**") of directors (the "**Directors**") of Jutal Offshore Oil Services Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2021 of the Company and its subsidiaries (collectively referred to as the "**Group**"), together with the comparative figures for the corresponding period in 2020. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been reviewed by the audit committee of the Company (the "**Audit Committee**"). RSM Hong Kong, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June **2021** **RMB'000** **(Unaudited)**	 2020 RMB'000 (Unaudited)
Revenue	4	**2,042,142**	1,296,344
Cost of sales and services		**(1,778,637)**	(1,118,848)
Gross profit		**263,505**	177,496
Other income	5	**25,862**	16,281
Administrative expenses		**(173,325)**	(96,708)
Reversal of impairment losses/(impairment losses) on trade and other receivables		**34,475**	(26,673)
Reversal of impairment losses/(impairment losses) on contract assets		**504**	(164)
Other operating expenses	6	**(11,739)**	(13,517)
Profit from operations		**139,282**	56,715
Finance costs	7	**(14,633)**	(19,432)
Profit before tax		**124,649**	37,283
Income tax expense	9	**(26,348)**	(11,920)
Profit for the period attributable to owners of the Company	10	**98,301**	25,363
Earnings per share	11	**RMB**	RMB
Basic		**5.966 CENTS**	1.552 CENTS
Diluted		**5.901 CENTS**	1.552 CENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**98,301**	25,363
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(7,919)**	18,096
Other comprehensive income for the period, net of tax	**(7,919)**	18,096
Total comprehensive income for the period attributable to owners of the Company	**90,382**	43,459

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	Note	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**1,215,304**	1,246,905
Right-of-use assets		**433,168**	444,561
Goodwill		**52,444**	52,444
Intangible assets		**10,785**	12,226
Trade receivables, non-current	13	**6,002**	1,592
Deferred tax assets		**30,240**	29,452
		1,747,943	1,787,180
Current assets			
Inventories		**195,061**	127,343
Trade and bills receivables	13	**573,259**	721,246
Contract cost assets		**6,047**	6,150
Contract assets		**230,958**	455,282
Prepayments, deposits and other receivables		**253,265**	181,474
Derivative financial instruments		**8,591**	2,182
Current tax assets		**18**	-
Pledged bank deposits		**112,291**	136,073
Bank and cash balances		**1,342,360**	1,188,255
		2,721,850	2,818,005
Current liabilities			
Trade and bills payables	14	**1,035,035**	1,056,120
Contract liabilities		**171,481**	430,267
Accruals and other payables		**211,957**	133,667
Dividend payables	8	**307,783**	-
Provisions		**208,195**	68,541
Bank borrowings		**54,500**	37,500
Deferred income		**10,873**	8,398
Lease liabilities		**7,027**	9,118
Current tax liabilities		**34,788**	17,174
		2,041,639	1,760,785
Net current assets		**680,211**	1,057,220
Total assets less current liabilities		**2,428,154**	2,844,400

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	Note	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Deferred income		**20,651**	28,563
Lease liabilities		**42,727**	45,868
Bank borrowings		**446,450**	482,200
Deferred tax liabilities		**22,071**	38,424
		531,899	595,055
NET ASSETS		**1,896,255**	2,249,345
Capital and reserves			
Share capital	15	**15,150**	14,755
Reserves		**1,881,105**	2,234,590
TOTAL EQUITY		**1,896,255**	2,249,345

NOTES:

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

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

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group's financial statements.

A number of new or amended standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

The Group has two reportable segments as follows:

— Fabrication of facilities and provision of integrated services for oil and gas industries ("oil and gas segment").

— Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries ("new energy and refinery and chemical segment").

The Group's reportable segments are strategic business units that offer products and services to different industry sector. They are managed separately because each business unit requires different technology and marketing strategies.

The Group's other operating segment mainly represents provision of undersea maintenance services for industries other than oil and gas, other energy and refinery and shipbuilding. These segments do not meet any of the quantitative thresholds for determining reportable segments. The information of these segments is included in the 'others' column.

3. SEGMENT INFORMATION (CONT'D)

	Oil and gas segment RMB'000 (Unaudited)	New energy and refinery and chemical segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2021				
Revenue from external customers	**1,484,698**	**546,147**	**11,297**	**2,042,142**
Segment profit/(loss)	**309,570**	**(46,185)**	**120**	**263,505**
At 30 June 2021:				
Segment assets	**2,042,127**	**848,898**	**22,039**	**2,913,064**
Segment liabilities	**1,414,159**	**254,337**	**7,926**	**1,676,422**
Six months ended 30 June 2020				
Revenue from external customers	1,287,834	516	7,994	1,296,344
Segment profit/(loss)	179,091	(216)	(1,379)	177,496
At 31 December 2020:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,441,754	729,139	13,660	3,184,553
Segment liabilities	1,510,170	227,848	5,563	1,743,581

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	**263,505**	177,496
Unallocated amounts:		
Other income	**25,862**	16,281
Finance costs	**(14,633)**	(19,432)
Other corporate expenses	**(150,085)**	(137,062)
Consolidated profit before tax for the period	**124,649**	37,283

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by business segments and timing of revenue recognition.

For the six months ended 30 June (unaudited)	Oil and gas segment		New energy and refinery and chemical segment		Others		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	**14,121**	100,929	**2,528**	239	-	-	**16,649**	101,168
Goods and services transferred over time	**1,470,577**	1,186,905	**543,619**	277	**11,297**	7,994	**2,025,493**	1,195,176
Total	**1,484,698**	1,287,834	**546,147**	516	**11,297**	7,994	**2,042,142**	1,296,344

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade and bills receivables	**579,261**	722,838
Contract assets	**230,958**	455,282
Contract liabilities	**171,481**	430,267

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's construction services. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers for the Group's construction services, for which revenue is recognised over time.

The amount of approximately RMB424,193,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2021.

5. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Gain on disposals of property, plant and equipment	**324**	-
Interest income	**4,567**	5,388
Government grants recognised	**9,914**	10,621
Compensation income	**1,526**	-
Fair value gains on derivative financial instruments	**9,086**	-
Sundry income	**445**	272
	25,862	16,281

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**4,585**	6,557
Fair value loss on derivative financial instruments	**-**	3,368
Allowance for inventories	**1,381**	2,226
Impairment loss on property, plant and equipment	**5,522**	-
Others	**251**	1,366
	11,739	13,517

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**11,437**	16,119
Others	**3,196**	3,313
	14,633	19,432

8. DIVIDEND

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
2020 interim special dividend — HK$0.15 per ordinary share	**204,930**	-

Final dividend in respect of the year ended 31 December 2020 of HK$0.22 per share is approved by the shareholders at the annual general meeting. The final dividend is payable on 23 July 2021.

No interim dividend was proposed for the six months ended 30 June 2021 and 2020.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	**44,317**	22,262
Over-provision in prior periods	**(827)**	(5)
	43,490	22,257
Deferred tax	**(17,142)**	(10,337)
	26,348	11,920

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the periods ended 30 June 2021 and 2020.

The People's Republic of China (the "PRC") Enterprise Income Tax has been provided on the assessable profit of the Group's subsidiaries in the PRC in accordance with the relevant PRC Enterprise Income Tax laws and regulations.

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.

10. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance for inventories	**1,381**	2,226
(Reversal of impairment losses)/impairment losses on trade and other receivables	**(34,475)**	26,673
Gain on disposals of property, plant and equipment	**(324)**	-
(Reversal of impairment losses)/impairment losses on contract assets	**(504)**	164
Impairment loss on property, plant and equipment	**5,522**	-
Directors' emoluments		
- As directors	**180**	180
- For management	**6,237**	3,215
- Share-based payments	**1,008**	570
	7,425	3,965

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**98,301**	25,363
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**1,647,650,864**	1,634,016,389
Effect of dilutive potential ordinary shares arising from share options	**18,224,805**	-
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,665,875,669**	1,634,016,389

At 30 June 2020, the Company's outstanding share options had no dilutive effect as the exercise prices of those share options were higher than the average market price per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB42,046,000 (six months ended 30 June 2020: RMB58,897,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	**697,748**	857,630
Allowance for doubtful debts	**(119,381)**	(153,854)
	578,367	703,776
Bills receivables	**894**	19,062
	579,261	722,838
Classified as:		
Trade receivables, non-current	**6,002**	1,592
Trade and bills receivables, current	**573,259**	721,246
	579,261	722,838

The aging analysis of trade receivables as at the balance sheet date, based on the date of invoice, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Billed:		
0 to 30 days	**310,464**	399,622
31 to 90 days	**27,808**	23,548
91 to 365 days	**33,683**	59,730
Over 365 days	**132,897**	184,123
	504,852	667,023
Unbilled	**192,896**	190,607
	697,748	857,630

14. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	**1,026,859**	980,751
Bills payables	**8,176**	75,369
	1,035,035	1,056,120

14. TRADE AND BILLS PAYABLES (CONT'D)

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods and services, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	**612,436**	816,354
31 to 90 days	**92,791**	54,711
91 to 365 days	**255,615**	15,376
Over 365 days	**66,017**	94,310
	1,026,859	980,751

15. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	4,000,000,000	40,000

A summary of the movements in the issued share capital of the Company is as follows:

	Note	**Number of shares**	**Amount**	**Equivalent to amount**
			HK$'000	RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January 2020 (Audited), 31 December 2020 (Audited) and 1 January 2021 (Unaudited)		1,634,016,389	16,341	14,755
Exercise of share options	(a)	47,290,000	472	395
At 30 June 2021 (Unaudited)		1,681,306,389	16,813	15,150

Note:

(a) Share options were exercised by option holders during six months ended 30 June 2021 to subscribe for a total of 47,290,000 ordinary shares in the Company at total consideration of approximately HK$30,819,000 (equivalent to approximately RMB25,741,000), of which approximately RMB395,000 was credited to share capital and the balance of approximately RMB25,346,000 was credited to the share premium account. Approximately RMB13,688,000 has been transferred from the share-based payment reserve to the share premium account.

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEWS

In the first half of 2021, the Penglai site and Zhuhai site of the Group had a full workload, representing a significant increase compared with the same period last year in general, and all on-site projects were stepping up.

The core module construction project of the North American GCGV natural gas chemical plant undertaken by the Penglai site was successfully completed and finally delivered in March this year. The GCGV project is a chemical plant with an annual output of 1.8 million tons of ethylene. It is also the first time in the industry that it has been designed and constructed in a modular manner. The Penglai site undertook the construction of a total of 40 core modules of the project in 2018, including the four largest cracking furnace modules in the world. During the period of more than two years from the start of site construction in early 2019 to the completion in early this year, faced with various challenges such as huge workload, tight schedule, concentrated delivery, design adjustments, and the impact of the epidemic, the project team planned closely, overcame difficulties, organized a team of more than 5,000 construction personnel, and successfully realized the project quality target. All ship deliveries were on time or ahead of schedule, achieving a total of 22.3 million safe working hours. The Penglai site has been highly recognised by the customer, and was thus awarded the "Best Site", "Best Team" and "Excellent Completion" by the customer.

The Group’s Zhuhai site undertook the manufacturing of 50 sets of offshore wind power equipment for an European offshore wind farms in the middle of 2020. This is the first time that a Chinese company has undertaken such kind of project, and which must comply with European construction and quality standards. The Company overcame various difficulties and challenges in the construction process and successfully made the first delivery in mid-June 2021 in accordance with the customer’s requirements.

Currently, the Group’s projects in the Penglai and Zhuhai sites include the core module construction for the production line of Arctic LNG 2 project, the manufacturing of offshore wind power equipment, the fabrication of topside modules for FPSO and other offshore engineering projects. With parallel construction of projects and their scale and complexity, a tough challenge is faced in terms of processing design, material supply, construction management, budget control, human resources and resources allocation.

With the recovery of the oil and gas industry and the development of technology, module projects intend to have larger size and weight and our existing 5,000-tonne pier in the Zhuhai site is insufficient for large-scale module shipments demand. Therefore, a new pier is urgently needed in the Zhuhai site. In order to strengthen its future capacity for undertaking business and delivering products, in the first half of 2021, the Group initiated phase II pier project for the Zhuhai site and completed the preliminary feasibility report as well as the investment budget and construction plan which were subject to further approval. Meanwhile, we also built, rebuilt and upgraded certain other plants and production facilities.

During the period, the Group continued to optimize the construction of the management system, updated the operating guidance and passed the annual review of various qualifications and the necessary certificate certification, thereby consolidated and optimized the health and safety and environmental protection management. The Group also carried out incentive activities for high-quality operations with the aim of achieving required standards within the first attempt to reduce costs caused by substandard quality and realizing the goal of zero-defect delivery.

As of 30 June 2021, the total backlog value of the Group was about RMB3 billion.

Revenue

In the first half of 2021, the Group recorded revenue of approximately RMB2,042,142,000, representing an increase of RMB745,798,000 or 57.53% as compared with corresponding period last year. Among others, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries amounted to approximately RMB1,484,698,000 representing an increase of RMB196,864,000 or 15.29% as compared with the corresponding period last year, which was mainly due to the revenue of the related business at the Penglai site increased as compared with the corresponding period last year. Revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries increased by 105,742% or RMB545,631,000 as compared with the corresponding period last year, which was mainly due to the contribution from Offshore Wind Power Farm Project at the Zhuhai site. Other revenue mainly derived from the provision of technical support services for shipbuilding industry. Although the revenue from such business increased by 41.32% or RMB3,303,000 as compared with the corresponding period last year, the workload of such business of the Group remains relatively low.

The table below sets out the analysis of revenue by business segment categories for the six months ended 30 June 2019, 2020 and 2021:

		For the six months ended 30 June					
	Product/service	**2021**		2020		2019	
		RMB'000	**Percentage of total revenue%**	RMB'000	Percentage of total revenue %	RMB'000	Percentage of total revenue %
1.	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**1,484,698**	**73**	1,287,834	99	442,529	90
2.	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**546,147**	**26**	516	0	44,629	9
3.	**Others**	**11,297**	**1**	7,994	1	5,510	1
	Total	**2,042,142**	**100**	1,296,344	100	492,668	100

Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB1,778,637,000, representing an increase of approximately RMB659,789,000 or 58.97% when compared with that of the corresponding period of last year. It was mainly caused by the significant increase in workload on sites of the Group over the corresponding period of last year, contributing corresponding increase in cost and expense. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB1,635,045,000 representing approximately 91.93% of total cost of sales and services, and an increase of approximately RMB656,570,000 or 67.10% from approximately RMB978,475,000 of the corresponding period of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services also varies accordingly. Manufacturing overheads in the current reporting period is approximately RMB143,592,000, representing an increase of approximately RMB3,219,000 or 2.29% when compared with approximately RMB140,373,000 of the corresponding period of last year.

Gross Profit

During the reporting period, the total amount of gross profit of the Group amounted to approximately RMB263,505,000, representing an increase of approximately RMB86,009,000 or 48.46% when compared with approximately RMB177,496,000 of the corresponding period of last year. The overall gross profit margin decreased to 12.90% from 13.69% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The decrease in the overall gross profit margin was mainly due to the lower gross margin was recorded for some projects that were undertaken in the first half of 2021 as compared with that of projects undertaken in the previous year.

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2019, 2020 and 2021:

	For the six months ended 30 June								
Product/service	**2021**			2020			2019		
	RMB ’000	**Gross profit margin %**	**Percentage of total gross profit**	RMB ’000	Gross profit margin %	Percentage of total gross profit	RMB ’000	Gross profit margin %	Percentage of total gross profit
1. Fabrication of facilities and provision of integrated services for oil and gas industries	**309,570**	**21**	**117**	179,091	14	101	78,319	18	89
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	**(46,185)**	**(8)**	**（18）**	(216)	(42)	0	9,043	20	10
3. Others	**120**	**1**	**1**	(1,379)	(17)	(1)	548	10	1
Total	**263,505**		**100**	177,496		100	87,910		100

Other income

Other income of the Group for the first half of 2021 amounted to approximately RMB25,862,000, mainly comprising interest income, gains from changes in fair value of forward foreign exchange settlement contracts and income from government grants.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by approximately 68% or RMB74,839,000 compared with the corresponding period last year to approximately RMB185,064,000, primarily resulting from the increase in share based payment expenses recognised in the period and staff remuneration.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB14,633,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB11,437,000, bank charges and other costs of approximately RMB3,196,000 .

Profit for the Period Attributable to Owners of the Company

In the first half year of 2021, profit attributable to owners of the Company amounted to approximately RMB98,301,000, which represented an increase of approximately 288% or RMB72,938,000 as compared to that of the corresponding period of last year. Basic earnings per share attributable to owners of the Company was approximately RMB5.966 cents.

Liquidity and Financial Resources

As at 30 June 2021, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB1,344,933,000 (31 December 2020: RMB1,191,173,000). During the said period, net cash inflows from operating activities amounted to approximately RMB363,012,000, net cash inflows from investing activities amounted to approximately RMB2,887,000, and net cash outflows from financing activities amounted to approximately RMB204,210,000.

As at 30 June 2021, the Group had available undrawn banking facilities of approximately RMB702,470,000 (31 December 2020: RMB570,620,000), which consists of bank loans, letters of credit, bank guarantees, etc.

As at 30 June 2021, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB730,909,000 (31 December 2020: RMB1,048,565,000).

Capital Structure

As at 30 June 2021, the share capital of the Company comprises 1,681,306,389 ordinary shares (31 December 2020: 1,634,016,389 ordinary shares).

As at 30 June 2021, net assets of the Group amounted to approximately RMB1,896,255,000 (31 December 2020: RMB2,249,345,000), which comprises non-current assets of approximately RMB1,747,943,000 (31 December 2020: RMB1,787,180,000), net current assets of approximately RMB680,211,000 (31 December 2020: RMB1,057,220,000) and non-current liabilities of approximately RMB531,899,000 (31 December 2020: RMB595,055,000).

Significant Investment

During the first half of 2021, according to the market situation and future development plan, the Company further improved the equipment and facilities of the Penglai site and the Zhuhai site, and will focus on increasing investment at the Zhuhai site to improve the equipment and facilities conditions in order to satisfy the needs of existing and potential projects.

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 denominated in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Euros would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were denominated in other currencies like USD and Euros, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts.

Assets Pledged by the Group

As at 30 June 2021, approximately RMB112,291,000 (31 December 2020: RMB136,073,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

As at 30 June 2021, the Group did not have other significant contingent liabilities.

Capital Management

The Group's main objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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

The Group monitors its capital by using a gearing ratio, which is total 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 of the Group as at 30 June 2021 and as at 31 December 2020 were as follows:

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Total bank borrowings	**500,950**	519,700
Total equity	**1,896,255**	2,249,345
Gearing ratio	**26.42%**	23.10%

The increase in gearing ratio for the period resulted mainly from the decrease in total equity caused by payment of the special interim dividend and declaration of year 2020 final dividend during the period. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

Employees and Remuneration Policy

As at 30 June 2021, the Group had total 3,547 employees (31 December 2020: 3,568), of which 1,555 (31 December 2020: 1,625) were management and technical staff, and 1,992 (31 December 2020: 1,943) were technicians.

The Group encourages staff to build long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds, including pension fund, medical, unemployment and industrial accident insurances, and housing provident fund for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to applicable laws and regulations.

The Group places emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees.

2. FUTURE OUTLOOK

Since the beginning of this year, international oil prices have risen steadily, and market demand in the oil and gas industry has rebounded, driving the recovery of offshore engineering markets such as FPSO construction. The market opportunities for the fabrication of topside modules for FPSO is expected to increase significantly. In the global transition to more clean energy development in order to achieve the goal of carbon neutrality, the market for natural gas facilities and offshore wind power equipment is also expected to continue to maintain relatively strong demand. The Group will also maintain good and smooth communication with its customers, continue to track opportunities for large and medium-sized construction projects in the industry, and incorporate marketing into its top priorities.

In the second half of the year, the Group will further improve the group management structure, optimize and deepen operation, organize efforts to coordinate the design, procurement, construction and other processes, propose improvement measures and programs on the challenges in its work, promote the optimization of resource allocation, control costs and expenses, and vigorously promote the implementation of existing projects.

In view of the future business development needs, the Group will promote the upgrading of the Zhuhai site to enhance its ability to undertake larger projects. At the same time, the Group will also seek and research new business opportunities, and increase its business scale through acquisitions and other methods.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the share options granted to the Directors under the share option scheme of the Company in previous years, at no time during the period, the Directors and chief executive (including their spouse and children under 18 years of age) had any other interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the Securities and Futures Ordinance (Cap.571) and the Hong Kong Companies Ordinance (Cap.622).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company had adopted the Corporate Governance Code (the "**Code Provisions**") introduced in Appendix 14 of the Listing Rules by the Stock Exchange to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders.

In the opinion of the Directors, the Company has complied with the Code Provisions during the reporting period, save and except the Company respectively provides the three executive directors, namely Mr. Cao Yunsheng, Mr. Wang Ningsheng and Mr. Liu Yunian, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have access to the monthly internal financial statements as well. The reason for such deviation from the Code Provisions is to enhance the Company's management efficiency.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management 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. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2021 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed four independent non-executive Directors including one with financial management expertise. Details of the Directors' biographies were set out in the Company's 2020 Annual Report and the announcement dated 18 August 2021.

By Order of the Board
Jutal Offshore Oil Services Limited
Wang Lishan
Chairman

Hong Kong, 25 August 2021

As at the date of this announcement, the executive directors are Mr. Wang Lishan (Chairman), Mr. Liu Lei (Deputy Chairman), Mr.Cao Yunsheng, Mr. Gao Zhiqiang, Mr. Wang Ningsheng and Mr. Liu Yunian; and the independent non-executive directors are Mr. Su Yang, Mr. Qi Daqing, Mr. Zheng Yimin and Mr. Tam Kin Yip.