JUTAL

巨濤海洋石油服務有限公司

**Jutal Offshore Oil Services Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 03303)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

## Financial Highlights

- Turnover increased by 18.48% to RMB1,760,624,000
- Gross profit increased by 77.44% to RMB320,294,000
- Net profit attributable to owners of the Company decreased by 83.39% to RMB 4,424,000
- Basic and diluted earnings per share were RMB0.0027 and RMB0.0027 respectively
- The Board did not recommend payment of a final dividend for the year ended 31 December 2019

*The above are intended to be highlights to the salient aspects of the annual results of the Group for the year ended 31 December 2019 only. In order to acquire a comprehensive understanding of the Group's state of affairs and results of its operations, general investors are encouraged to refer to the body of this announcement for details.*

The board of directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | **2019** **RMB'000** | 2018 RMB'000 |
|---|---|---|---|
| **Turnover** | 4 | **1,760,624** | 1,485,964 |
| Cost of sales and services | | **(1,440,330)** | (1,305,459) |
| **Gross profit** | | **320,294** | 180,505 |
| Other income | 5 | **58,353** | 229,821 |
| Impairment losses on trade and bills receivables | | **(70,912)** | (18,939) |
| Impairment losses on other receivables | | **-** | (8,756) |
| Reversal of impairment losses /(impairment losses) on contract assets | | **707** | (1,416) |
| Administrative expenses | | **(220,684)** | (230,105) |
| Other operating expenses | | **(39,168)** | (69,686) |
| **Profit from operations** | | **48,590** | 81,424 |
| Finance costs | 7 | **(39,452)** | (50,819) |
| **Profit before tax** | | **9,138** | 30,605 |
| Income tax expense | 8 | **(4,714)** | (3,968) |
| **Profit for the year** | 9 | **4,424** | 26,637 |
| **Attributable to:** | | | |
| Owners of the Company | | **4,424** | 26,637 |
| **Earnings per share** | 11 | | |
| | | **RMB** | RMB |
| Basic | | **0.27 cents** | 1.63 cents |
| Diluted | | **0.27 cents** | 1.62 cents |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Profit for the year** | | **4,424** | 26,637 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **24,084** | 54,935 |
| **Other comprehensive income for the year, net of tax** | | **24,084** | 54,935 |
| **Total comprehensive income for the year** | | **28,508** | 81,572 |
| **Attributable to:** | | | |
| Owners of the Company | | **28,508** | 81,572 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

| | Note | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **1,172,874** | 1,548,655 |
| Prepaid land lease payments | | **-** | 287 |
| Right-of-use assets | | **452,461** | - |
| Goodwill | | **54,648** | 54,648 |
| Intangible assets | | **6,509** | 5,758 |
| Trade receivables, non-current | 12 | **538** | 46,129 |
| Other receivables, non-current | | **-** | 8,846 |
| Deferred tax assets | | **29,323** | 4,014 |
| | | **1,716,353** | 1,668,337 |
| **Current assets** | | | |
| Inventories | | **194,251** | 80,669 |
| Trade and bills receivables | 12 | **932,012** | 543,712 |
| Contract cost assets | 13 | **69,654** | 56,316 |
| Contract assets | 14 | **161,777** | 406,382 |
| Prepayments, deposits and other receivables | | **262,057** | 234,618 |
| Derivative financial instruments | | **3,160** | 670 |
| Due from directors | | **833** | 733 |
| Current tax assets | | **751** | 2,285 |
| Pledged bank deposits | | **56,813** | 69,040 |
| Bank and cash balances | | **808,330** | 900,712 |
| | | **2,489,638** | 2,295,137 |
| **Current liabilities** | | | |
| Trade and bills payables | 15 | **748,993** | 659,695 |
| Contract liabilities | 14 | **299,110** | 53,702 |
| Accruals and other payables | | **108,731** | 112,763 |
| Derivative financial instruments | | **769** | 390 |
| Provisions | 16 | **58,117** | 82,664 |
| Bank and other borrowings | | **289,342** | 470,331 |
| Deferred income | | **8,942** | - |
| Lease liabilities | | **12,691** | - |
| Current tax liabilities | | **-** | 12,525 |
| | | **1,526,695** | 1,392,070 |
| **Net current assets** | | **962,943** | 903,067 |
| **Total assets less current liabilities** | | **2,679,296** | 2,571,404 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2019

| | Note | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | | **34,824** | 37,071 |
| Lease liabilities | | **37,474** | - |
| Bank and other borrowings | | **392,700** | 335,668 |
| Deferred tax liabilities | | **63,305** | 65,649 |
| | | **528,303** | 438,388 |
| **NET ASSETS** | | **2,150,993** | 2,133,016 |
| **Capital and reserves** | | | |
| Share capital | | **14,755** | 14,755 |
| Reserves | | **2,136,238** | 2,118,261 |
| **TOTAL EQUITY** | | **2,150,993** | 2,133,016 |

**NOTES:**

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 10th Floor, Chiwan Petroleum Building, Shekou, Nanshan District, Shenzhen, and 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.

In the opinion of the directors of the Company, as at 31 December 2019, Sanju Environmental Protection (Hong Kong) Limited, a company incorporated in Hong Kong, is the immediate parent of the Company; and Beijing Sanju Environmental Protection & New Materials Co., Limited ("Beijing Sanju"), a company incorporated in the People's Republic of China (the "PRC") and listed on the Shenzhen Stock Exchange, is the ultimate parent of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

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

### (a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.9%.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) **Application of new and revised HKFRSs (Cont'd)**

**HKFRS 16 Leases (cont'd)**

(ii) Lessee accounting and transitional impact (cont'd)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(a) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(b) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(c) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(e) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

### (a) Application of new and revised HKFRSs (Cont'd)

**HKFRS 16 Leases (cont'd)**

(ii) Lessee accounting and transitional impact (cont'd)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

| | RMB'000 |
|---|---|
| Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements | 8,380 |
| Less: Commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 | (827) |
| Add: Lease payments for leases entered into and commenced on 1 January 2019 | 41,658 |
| | 49,211 |
| Less: Total future interest expenses | (11,410) |
| **Lease liabilities recognised as at 1 January 2019** | 37,801 |
| Of which are: | |
| Current lease liabilities | 7,854 |
| Non-current lease liabilities | 29,947 |
| | 37,801 |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**

(a) **Application of new and revised HKFRSs (Cont'd)**

**HKFRS 16 Leases (cont'd)**

(ii) Lessee accounting and transitional impact (cont'd)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16 | Note | Carrying amount as at 31 December 2018 | Effects of adoption of HKFRS 16: Re-classification | Effects of adoption of HKFRS 16: Re-cognition of leases | Carrying amount as at 1 January 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | | | |
| Right-of-use assets | | - | 413,080 | 37,801 | 450,881 |
| Fixed assets | (a) | 1,548,655 | (412,793) | - | 1,135,862 |
| Prepaid land lease payments | (a) | 287 | (287) | - | - |
| **Liabilities** | | | | | |
| Lease liabilities | | - | - | 37,801 | 37,801 |

Note:

(a) Upfront payments for leasehold lands in the PRC own used properties were classified as prepaid land lease as payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid land lease payments amounting to RMB413,080,000 were classified to right-of-use assets.

(b) **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 3 Definition of a Business | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 Definition of Material | 1 January 2020 |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform | 1 January 2020 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 4. TURNOVER

Disaggregation of revenue from contracts with customers by type of contract for the year from continuing operations is as follows:

| | **2019** | 2018 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | **RMB'000** | RMB'000 |
| Disaggregated by type of contract | | |
| - Revenue from construction contracts | **1,536,767** | 914,932 |
| - Trading of oil and gas, chemical and other energy products | **52,628** | 507,083 |
| - Technical support services | **171,229** | 63,949 |
| | **1,760,624** | 1,485,964 |

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following type of contract:

| For the year ended 31 December | Revenue from construction contracts | | Trading of oil and gas, chemical and other energy products | | Technical support services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Timing of revenue recognition** | | | | | | | | |
| Goods and services transferred at a point in time | **34,716** | 88,113 | **52,628** | 507,083 | **-** | - | **87,344** | 595,196 |
| Goods and services transferred over time | **1,502,051** | 826,819 | **-** | - | **171,229** | 63,949 | **1,673,280** | 890,768 |
| Total | **1,536,767** | 914,932 | **52,628** | 507,083 | **171,229** | 63,949 | **1,760,624** | 1,485,964 |

## 5. OTHER INCOME

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Reversal of provision of claim | **-** | 158,018 |
| Compensation income | **9,017** | 12,647 |
| Reversal of allowance for inventories | **1,698** | 6,588 |
| Government grants recognised | **16,484** | 14,707 |
| Interest income on bank deposits | **6,333** | 13,055 |
| Fair value gains on derivative financial instruments | **3,287** | 4,904 |
| Reversal of other receivable previously written off | **5,000** | 5,000 |
| Others | **16,534** | 14,902 |
| | **58,353** | 229,821 |

## 6. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) Fabrication of facilities and provision of integrated services for oil and gas industries
(b) Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries
(c) Provision of technical support services for shipbuilding industry

The Group's reportable segments are strategic business units that offer product 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, energy and refinery and shipbuilding. This segment does not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segments is included in the 'others' column.

Segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs, impairment losses on trade receivables, impairment losses on other receivables, reversal of impairment losses or impairment losses on contract assets and income tax expense. Segment assets do not include goodwill, derivative financial instruments, current and deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank and other borrowings, derivative financial instruments, current and deferred tax liabilities, deferred revenue, loan from ultimate holding company and other corporate liabilities.

## 6. SEGMENT INFORMATION (CONT'D)

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

| | Fabrication of facilities and provision of integrated services for oil and gas industries | Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries | Provision of technical support services for shipbuilding industry | Others | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Year ended 31 December 2019 | | | | | |
| Turnover from external customers | **1,616,399** | **126,480** | **14,120** | **3,625** | **1,760,624** |
| Segment profit/(loss) | **328,989** | **(7,649)** | **395** | **(1,441)** | **320,294** |
| Depreciation and amortisation | **127,743** | **106** | **30** | **-** | **127,879** |
| Other material non-cash items: | | | | | |
| Impairment losses on trade and other receivables, net | **24,735** | **45,789** | **286** | **102** | **70,912** |
| Reversal of impairment losses on contract asset | **(166)** | **(523)** | **(18)** | **-** | **(707)** |
| Additions to segment non-current assets | **168,341** | **69** | **76** | **-** | **168,486** |
| As at 31 December 2019 | | | | | |
| Segment assets | **2,938,814** | **270,657** | **7,626** | **9,523** | **3,226,620** |
| Segment liabilities | **1,122,920** | **129,071** | **4,754** | **2,215** | **1,258,960** |
| Year ended 31 December 2018 | | | | | |
| Turnover from external customers | 983,112 | 485,334 | 13,012 | 4,506 | 1,485,964 |
| Segment profit/(loss) | 105,830 | 78,343 | (1,329) | (2,339) | 180,505 |
| Depreciation and amortisation | 121,522 | 1,146 | 25 | - | 122,693 |
| Other material non-cash items: | | | | | |
| Impairment losses on trade and other receivables, net | 26,493 | 1,033 | 104 | 65 | 27,695 |
| Impairment losses on contract assets | 985 | 409 | 22 | - | 1,416 |
| Additions to segment non-current assets | 55,374 | 31 | - | - | 55,405 |
| As at 31 December 2018 | | | | | |
| Segment assets | 2,475,898 | 375,913 | 22,934 | 12,277 | 2,887,022 |
| Segment liabilities | 720,290 | 157,393 | 18,033 | 2,438 | 898,154 |

## 6. SEGMENT INFORMATION (CONT'D)

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **320,294** | 180,505 |
| Unallocated amounts: | | |
| Finance costs | **(39,452)** | (50,819) |
| Impairment losses on trade and bills receivables | **(70,912)** | (18,939) |
| Impairment losses on other receivables | **-** | (8,756) |
| Reversal of impairment losses/(impairment losses) on contract assets | **707** | (1,416) |
| Other income | **58,353** | 229,821 |
| Other corporate expenses | **(259,852)** | (299,791) |
| Consolidated profit before tax for the year | **9,138** | 30,605 |
| **Assets** | | |
| Total assets of reportable segments | **3,226,620** | 2,887,022 |
| Unallocated amounts: | | |
| Bank and cash balances | **808,330** | 900,712 |
| Pledged bank deposits | **56,813** | 69,040 |
| Derivative financial instruments | **3,160** | 670 |
| Current tax assets | **751** | 2,285 |
| Deferred tax assets | **29,323** | 4,014 |
| Goodwill | **54,648** | 54,648 |
| Other corporate assets | **26,346** | 45,083 |
| Consolidated total assets | **4,205,991** | 3,963,474 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **1,258,960** | 898,154 |
| Unallocated amounts: | | |
| Bank and other borrowings | **682,042** | 805,999 |
| Derivative financial instruments | **769** | 390 |
| Current tax liabilities | **-** | 12,525 |
| Deferred income | **43,766** | 37,071 |
| Deferred tax liabilities | **63,305** | 65,649 |
| Other corporate liabilities | **6,156** | 10,670 |
| Consolidated total liabilities | **2,054,998** | 1,830,458 |

## 6. SEGMENT INFORMATION (CONT'D)

**Geographical information:**

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

| | Turnover | | Non-current assets | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| PRC except Hong Kong | **586,442** | 905,369 | **1,687,030** | 1,664,323 |
| United States | **1,029,943** | 234,822 | **-** | - |
| Switzerland | **45,713** | 118,490 | **-** | - |
| Sweden | **-** | 49,595 | **-** | - |
| Singapore | **41,891** | 26,807 | **-** | - |
| Portugal | **-** | 113,150 | **-** | - |
| France | **28,115** | 8,185 | **-** | - |
| United Kingdom | **3,325** | 22,260 | **-** | - |
| Netherlands | **22,001** | - | **-** | |
| Others | **3,194** | 7,286 | **-** | - |
| Consolidated total | **1,706,624** | 1,485,964 | **1,687,030** | 1,664,323 |

## 7. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interest on bank borrowings | **32,795** | 44,671 |
| Interest on lease liabilities | **1,510** | - |
| Interest on loan from ultimate holding company | **-** | 130 |
| Others | **5,147** | 6,018 |
| | **39,452** | 50,819 |

## 8. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current tax - PRC Enterprise Income Tax | | |
| Provision for the year | **24,992** | 30,389 |
| Under/(over)-provision in prior years | **7,375** | (20,572) |
| | **32,367** | 9,817 |
| Deferred tax | **(27,653)** | (5,849) |
| | **4,714** | 3,968 |

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2019 and 2018.

(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) Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal")

Penglai Jutal was approved to recognise as a new and high technology enterprise since 15 December 2016 to 14 December 2019. During the year, Penglai Jutal has applied and being approved to continue recognise as a new and high technology enterprise for other three years until 27 November 2022.

During the year ended 31 December 2019, Penglai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15%.

(ii) Chengdu Jutal Oil and Gas Engineering Co. Ltd ("Chengdu Jutal")

Chengdu Jutal was approved to recognise as a new and high technology enterprise since 29 August 2017 to 28 August 2020.

During the year ended 31 December 2019, Chengdu Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15%.

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

(c) Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

| | | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|---|
| (a) | Staff costs (including directors' emoluments): | | |
| | Salaries, wages and other benefits | **356,027** | 339,948 |
| | Retirement scheme contributions | **33,393** | 31,369 |
| | Share-based payments | **17,352** | 35,743 |
| | | **406,772** | 407,060 |
| (b) | Others items: | | |
| | Amortisation of intangible assets | **1,079** | 780 |
| | Amortisation of prepaid land lease payments | **-** | 65 |
| | Depreciation on fixed assets | **103,322** | 121,848 |
| | Depreciation on right-of-use assets | **23,478** | - |
| | Net loss on disposals of fixed assets* | **499** | 657 |
| | Written off of right-of-use assets* | **186** | - |
| | Net foreign exchange losses* | **26,702** | 49,289 |
| | Operating lease charges | | |
| | - Plant and equipment | **-** | 1,971 |
| | - Land and buildings | **-** | 6,221 |
| | Research and development expenditure | **61,456** | 55,570 |
| | Auditor's remuneration | **1,629** | 1,223 |
| | Share-based payments to a consultant | **752** | - |
| | Cost of inventories utilised in construction contracts and sold | **443,295** | 622,462 |
| | Reversal of allowance for inventories | **(1,698)** | (6,588) |
| | Impairment losses on trade and bills receivables | **70,912** | 18,939 |
| | Impairment losses on other receivables | **-** | 8,756 |
| | (Reversal of impairment losses)/impairment losses on contract assets | **(707)** | 1,416 |
| | Fair value changes on derivative financial instruments | **(3,287)** | (4,904) |

*These amounts are included in "Other operating expenses"

## 10. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 2018 final dividend of HK$0.02 per ordinary share | **28,635** | 40,687 |

## 11. EARNINGS PER SHARE

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

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Earnings** | | |
| Earnings for the purpose of calculating basic and diluted earnings per share | **4,424** | 26,637 |

| | **2019** | 2018 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,634,016,389** | 1,633,649,266 |
| Effect of dilutive potential ordinary shares arising from share options | **1,162,978** | 13,689,823 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,635,179,367** | 1,647,339,089 |

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the year.

Diluted earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue during the year after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

## 12. TRADE AND BILLS RECEIVABLES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Trade receivables | **1,009,021** | 521,135 |
| Allowance for doubtful debts | **(98,391)** | (27,479) |
| | **910,630** | 493,656 |
| Bills receivables | **21,920** | 96,185 |
| | **932,550** | 589,841 |

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Classified as: | | |
| Trade receivables, non-current | **538** | 46,129 |
| Trade and bills receivables, current | **932,012** | 543,712 |
| | **932,550** | 589,841 |

The Group's trading terms with customers are mainly on credit. The credit terms other than retentions receivables generally range from 30 to 90 days. The credit terms for retentions receivables generally range from 12 to 24 months after completion of the respective construction and other services contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Billed | | |
| 0 to 30 days | **367,948** | 50,318 |
| 31 to 90 days | **63,156** | 76,619 |
| 91 to 365 days | **77,880** | 78,036 |
| Over 365 days | **134,464** | 36,162 |
| | **643,448** | 241,135 |
| Unbilled (note a) | **365,573** | 280,000 |
| | **1,009,021** | 521,135 |

Note a: The unbilled balance mainly in relation to provision of construction and other services which will be billed in accordance with the payment terms stipulated in the relevant contracts entered into between the Group and the contract customers. As at 31 December 2019, unbilled balance of RMB538,000 (2018: RMB46,129,000) will be billed after one year from the end of the reporting date.

As at 31 December 2019, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB24,664,000 (2018: RMB12,727,000).

As at 31 December 2019, collateral which represents fixed assets, inventories, equity interests and personal guarantee are obtained by the Group against certain trade receivables balance of RMB242,308,000 (2018: RMB157,355,000).

At 31 December 2019, no trade and bills receivables was pledged to a bank (2018: RMB34,642,000 were pledged to banks to secure banking facilities granted to two subsidiaries of the Group).

## 13. CONTRACT COST ASSETS

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Contract cost assets | **69,654** | 56,316 |

The amount represents the costs incurred relate directly to an existing contract or to specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. The movement of the contract cost assets is as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| At 1 January | **56,316** | - |
| Additions | **24,545** | 56,316 |
| Amortisation for the year | **(11,207)** | - |
| Impairment loss on contract cost assets | **-** | - |
| At 31 December | **69,654** | 56,316 |

## 14. CONTRACT ASSETS / CONTRACT LIABILITIES

| **Contract assets** | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Arising from performance under construction contracts | **105,578** | 398,249 |
| Arising from performance under technical support services | **56,199** | 8,133 |
| | **161,777** | 406,382 |
| Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" | **932,550** | 589,841 |

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payment for technical support services are not due from the customer until the related services are complete and therefore a contract asset is recognised over the period in which the technical support services are performed to represent the entity's right to consideration for the services performed to date.

During the reporting period, significant decrease in the contract assets balance mainly because the right to consideration of certain contracts become unconditional and the related contract assets balance reclassified to trade receivables.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB28,000 (2018: RMB172,000), mainly due to the changes in the final transaction price of certain construction and service contracts.

The amount of contract assets that is expected to be recovered after more than one year is RMB881,000 (2018: RMB42,042,000).

## 14. CONTRACT ASSETS / CONTRACT LIABILITIES (CONT'D)

| **Contract liabilities** | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Billings in advance of performance obligation | | |
| - Construction contracts | **290,057** | 49,633 |
| - Technical support services | **9,053** | - |
| - Trading of oil and gas, chemical and other energy products | **-** | 4,069 |
| | **299,110** | 53,702 |

Contract liabilities relating to construction contracts / technical support services are balances due to customers under construction contracts / technical support services. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage of completion method.

During the reporting period, significant increase in the contract liabilities balance mainly because of increase in advance payments from contract customers.

Movements in contract liabilities:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Balance at 1 January | **53,702** | 39,929 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period | **(28,162)** | (22,016) |
| Increase in contract liabilities as a result of billing in advance of construction activities / technical support services / trading of oil and gas, chemical and other energy products | **273,570** | 35,789 |
| Balance at 31 December | **299,110** | 53,702 |

No billings in advance of performance received that is expected to be recognised as income after more than one year for the years ended 31 December 2019 and 2018.

## 15. TRADE AND BILLS PAYABLES

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Trade payables | **718,583** | 606,042 |
| Bills payables | **30,410** | 53,653 |
| | **748,993** | 659,695 |

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| 0 to 30 days | **514,017** | 348,720 |
| 31 to 90 days | **26,727** | 20,257 |
| 91 to 365 days | **77,058** | 84,819 |
| Over 365 days | **100,781** | 152,246 |
| | **718,583** | 606,042 |

## 16. PROVISIONS

| | Warranty provision (note (i)) | | Provision for claim on construction contract (note (ii)) | | Total | |
|---|---|---|---|---|---|---|
| | **2019<br>RMB'000** | 2018<br>RMB'000 | **2019<br>RMB'000** | 2018<br>RMB'000 | **2019<br>RMB'000** | 2018<br>RMB'000 |
| At 1 January | **82,664** | 62,832 | **-** | 158,996 | **82,664** | 221,828 |
| Additional provisions | **11,292** | 35,689 | **-** | - | **11,292** | 35,689 |
| Provisions used | **(2,177)** | (287) | | (978) | **(2,177)** | (1,265) |
| Unused provisions reversed | **(33,662)** | (15,570) | **-** | (158,018) | **(33,662)** | (173,588) |
| | **58,117** | 82,664 | **-** | - | **58,117** | 82,664 |

(i) The warranty provision represents the Group's best estimate of the Group's liability under 18 - 60 months warranties granted to its customers in relation to certain construction contracts under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on past experience and current expectation of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

(ii) At 31 December 2017, the management estimates the Group's liability and amount of provision for claim on construction contract made by reference to the terms of the subcontracting agreement, supporting evidence of work done and the basis of charge for the rectification of the related works. The provision is made based on management's best estimates and judgements of the circumstance at that time.

During the year ended 31 December 2018, the negotiation with the customer in relation to the final claim amount of certain contract works was completed. The final claim amount of approximately RMB978,000 was paid and the unused provision for claim on these contract works was reversed.

## BUSINESS REVIEW

The Group is an integrated service provider mainly offering equipment fabrication and engineering services in the energy industry such as oil and gas. In recent years, in response to the decline in benefits caused by the fluctuations in traditional business market, the Group actively promoted business transformation and strategic deployment through a series of capital operations and adjustment of business layout, so as to closely keep up with the market trends and create a competitive edge. Therefore, results have been achieved in large-scale module construction and other offshore engineering businesses.

Headquartered in Shenzhen, the Group has two large-scale facilities manufacturing bases in Penglai, northern China and Zhuhai, southern China, with business targeting for international market and customers. The Group has a leading comprehensive strength in large-scale module construction and offshore engineering. Besides, the reliability and quality of the projects implemented by the Group are highly recognised by the industry.

In order to meet the construction needs of large-scale projects undertaken, in 2019, Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司) (“Penglai Jutal”), a subsidiary of the Group, expanded its fabrication site area to approximately 1,000,000 square meters through expansion and long-term lease of a new plant nearby. After optimized layout and facilities upgrade, the site construction capacity has been greatly improved. In July 2019, Penglai Jutal was awarded a large-scale construction contract from TECHNIP France S.A., a wholly-owned subsidiary of Technip FMC, a well-known international engineering contracting company in Europe. According to the contract, Penglai Jutal will provide the construction of the largest core compressor and generator module currently seen in the industry to the first two production lines of the LNG project of Arctic LNG 2 located in the Arctic, with a total contract amount over RMB 3 billion. It represents another important construction contract obtained by Penglai Jutal after the GCGV large-scale natural gas chemical plant module construction project awarded in mid-2018. The GCGV project also entered the full site construction phase from the second half of 2019, and delivered the first six pipeline corridor modules in November. Compared with the construction site in Penglai, the Group’s construction site in Zhuhai has a relatively smaller area. According to its current facilities and construction capabilities, it mainly focuses on the construction of small and medium-sized equipment. The construction site in Zhuhai was still not in full operation during 2019. In 2019, the construction site in Penglai operated a total of 21 various types of modules and offshore engineering construction projects, of which 11 have been successfully completed and delivered. The construction site in Zhuhai had 15 projects under construction and 11 projects completed during the year. As at the end of year 2019, the total backlog value of the Group was over RMB5 billion.

The traditional offshore technical support services business remained stable in 2019, and the southern service base also moved to Huizhou. In addition to customers of traditional oil companies, the Group also closely tracks new customers and new businesses, and actively expands related engineering transformation projects. During the year, it newly opened the offshore wind power installation and underwater service market to provide wind power project services. Facing the shrinking shipbuilding business of the original customers, the Group’s Dalian Company also actively responded by diversifying the layout of the market, business and customers, and maintained the smooth operation of the business.

In order to continue to deepen the safety culture, at the beginning of 2019, the Company specifically set up a “Care Committee” in Penglai Jutal, the subsidiary with the largest production scale and the largest number of employees, which consisted of on-site employee representatives, company managers and other personnel from different professions, with an aim to provide effective communication for the health, safety and environmental issues of on-site employees, continuously improve and perfect the health and safety management system, and build channels that cover different levels of timely feedback on health, safety and environmental demands. During the year, through regular safety seminars, safe family days, safe luncheons, various environmental protection actions and emergency drills, etc., the Company established and shared awareness of health, safety and environmental protection among all employees, identified and solved on-site problems, improved and eliminated employee concerns, encouraged all employees to participate in the investigation and management of hidden dangers, so as to create a healthy and safe working environment.

In 2019, all of the Group’s safety, environmental protection and quality work performed well and maintained excellent results.

## PROSPECTS

According to the 2020 Global Economic Situation and Prospects issued by the United Nations, global economy experienced a decade slow growth in 2019. Trade conflicts, financial turbulence and intensified geopolitical tensions may affect the recovery of global economy in 2020. Despite the slowdown pressure faced by global economy, East Asia remained to be the region with the rapidest economic growth. Especially in China, under the support of appropriate monetary policy and fiscal policy, China will continue to be the major driving force of global economic growth.

In addition, the novel coronavirus epidemic brought challenges to China at the beginning of 2020. In response to the national and local requirements on epidemic prevention and control and management, the Group's production units at various regions immediately established leading groups of epidemic work, refined the deployment of measures on epidemic prevention as well as developed management measures and quarantine program for the staff. Besides, management of the Company, responsible officers of subcontracting labour and customer representatives, as the head in charge of the epidemic prevention and control as well as the management of work resumption for each responsible unit, were required to strive to promote the implementation of all works in a prudent and rapid manner in light of the situation of epidemic prevention and the need of business operation, and organize the staff, owner and subcontracting labour to undergo observation and return to work based on the project schedule and manpower demand.

In this year, several large projects under construction of the Group are expected to be at the peak of construction concurrently, resulting great challenges in various aspects, such as human resources, on-site management, project operation and resource deployment. Therefore, more systematic and refined overall arrangements are expected to be required for undertaking new large projects. Facing the complicated production and operation environment, the Group will be prudent and will ensure the manpower supply and carry out skills training, so as to arrange production in a stable and orderly manner to ensure project progress.

As large-scale factories and facilities enjoy the advantages of low overall comprehensive cost, short construction period, excellent quality and environmental compliance through modular construction, they will gradually become the mainstream trend in the construction of energy, chemical and marine engineering industries, which will bring huge market opportunities. In view of the excellent performance of Chinese modular construction sites in global projects, it is expected that large-scale projects will also prefer Chinese sites construction in the future. Over the past few years, the Group has actively participated in the modular construction of several large-scale projects around the world. With high-quality and efficient work, the Group has won the trust from customers and industry reputation as well as has accumulated extensive experience.

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) (the "Plan") was issued by the PRC on 18 February 2019, which aims to further establish mutually beneficial and win-win regional cooperative relations as well as promote synergistic development of regional economy, so as to provide support for the country's efforts to promote supply-side structural reform, implement the strategy of innovation-driven development and formulate a new system of open economy, and build a first-class bay area and world-class city cluster with vigorousness and international competitiveness, thereby shaping a paragon of high-quality development. The Plan also specifically stresses the necessity of vigorously development of the marine economy, and encourages to develop strategic emerging industries, including marine engineering equipment.

The implementation of the development strategy of the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") will enhance the support to the marine economy and support to strategic emerging industries such as marine engineering equipment. It is also expected to bring more opportunities and impetus to the business development of the Company in the Greater Bay Area.

The Group will conduct in-depth research, give full play to its comparative advantages in competition, closely monitor key projects to secure follow-up orders, further improve production capacity and efficiency and support each other's business development, whilst strive to carry out risk management, strictly control costs and expenses, thereby consolidating existing superior business, and actively exploring new high-value-added business markets.

The Company's construction sites also require further upgrading of the existing facilities to satisfy the construction and shipment needs of subsequent large-scale projects. The two sites located in Penglai and Zhuhai with different scales and focuses are expected to complement each other and give play to their respective business advantages.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Financial and business review

***Turnover***

In year 2019, the Group recorded turnover of approximately RMB1,760,624,000, representing an increase of 18.48% or RMB274,660,000 as compared with year 2018. Among others, turnover from the fabrication of facilities and provision of integrated services for oil and gas industries increased by 64.42% or RMB633,287,000 as compared with that of year 2018, which was mainly due to the natural gas petrochemical modules construction project undertook by Penglai site in 2018 began to enter into the peak period during the year. Turnover from the fabrication of facilities and provision of integrated services for other energy and refining and chemical industries decreased by 73.94% or RMB358,854,000 as compared with that of year 2018, which was mainly due to the fact that most of the projects secured in 2017 were intensively implemented in 2018 and the Company actively cut down relevant business. Turnover from the provision of technical support services for shipbuilding industry increased by 8.51% or RMB1,108,000 as compared with that of year 2018, which was mainly due to the fact that the workload of such business of the Group was basically the same as that of year 2018 in the continually weakened ship-building market.

The table below sets out the analysis of turnover by business segments for the years 2019, 2018 and 2017:

| | | For the financial year ended 31 December | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2017 | |
| | **Business Segments** | **RMB'000** | **Percentage to total turnover (%)** | RMB'000 | Percentage to total turnover (%) | RMB'000 | Percentage to total turnover (%) |
| 1 | **Fabrication of facilities and provision of integrated services for oil and gas industries** | **1,616,399** | **92** | 983,112 | 66 | 460,148 | 64 |
| 2 | **Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries** | **126,480** | **7** | 485,334 | 33 | 225,885 | 31 |
| 3 | **Provision of technical support services for shipbuilding industry** | **14,120** | **1** | 13,012 | 1 | 18,019 | 2 |
| 4. | **Others** | **3,625** | **-** | 4,506 | - | 20,417 | 3 |
| | **Total** | **1,760,624** | **100** | 1,485,964 | 100 | 724,469 | 100 |

***Cost of sales and services***

Cost of sales and services of the Group amounted to approximately RMB1,440,330,000 in year 2019, representing an increase of 10.33% or RMB134,871,000 as compared with that of year 2018. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB1,207,969,000, representing 83.87% of the total cost of sales and services, and an increase of RMB112,515,000 or 10.27% from RMB1,095,454,000 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 varies from project to project. Manufacturing overheads has increased by RMB22,356,000 or 10.65% from RMB210,005,000 of the corresponding period of last year to approximately RMB232,361,000 in current reporting period.

*Gross profit*

The total gross profit of the Group for the year 2019 amounted to approximately RMB320,294,000, representing an increase of 77.44% or RMB139,789,000 as compared with RMB180,505,000 in year 2018. The overall gross profit margin increased to 18.19% from 12.15% of the corresponding period of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and gas industries increased from 10.76% in year 2018 to 20.35%, and the gross profit margin of the fabrication of facilities and provision of integrated service for refining and chemical industries decreased from 16.14% in year 2018 to negative 6.05%, whereas the gross profit margin of the provision of technical support services for shipbuilding industry increased from negative 10.21% in year 2018 to 2.80%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The increase in the gross profit margin of the fabrication of facilities and provision of integrated services for oil and gas industries was mainly due to higher gross profit margin recorded by certain projects.

The following shows the breakdown of gross profit / (loss) by business segments for the years 2019, 2018 and 2017:

| | | **For the financial year ended 31 December** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2019** | | | 2018 | | | 2017 | | |
| | **Business Segments** | **RMB′ 000** | **Gross profit margin (%)** | **Percentage to total gross profit (%)** | RMB′ 000 | Gross profit margin (%) | Percentage to total gross profit (%) | RMB′ 000 | Gross profit margin (%) | Percentage to total gross profit (%) |
| 1 | **Fabrication of facilities and provision of integrated services for oil and gas industries** | **328,989** | **20** | **103** | 105,830 | 11 | 59 | 38,207 | 8 | 43 |
| 2 | **Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries** | **(7,649)** | **(6)** | **(2)** | 78,343 | 16 | 43 | 46,745 | 21 | 52 |
| 3 | **Provision of technical support services for shipbuilding industry** | **395** | **3** | **-** | (1,329) | (10) | (1) | (2,453) | (14) | (3) |
| 4 | **Others** | **(1,441)** | **(40)** | **(1)** | (2,339) | (52) | (1) | 6,927 | 34 | 8 |
| | **Total** | **320,294** | | **100** | 180,505 | | 100 | 89,426 | | 100 |

*Other income*

Other income of the Group in year 2019 amounted to approximately RMB58,353,000, mainly comprising interest income, insurance compensation income and income from government grants.

*Administrative and other operating expenses*

Administrative and other operating expenses in aggregate decreased by 13% or RMB39,939,000 as compared with that of year 2018 to approximately RMB259,852,000, primarily due to decrease in share based payment and exchange losses compared to that of last year.

***Finance costs***

Finance costs in aggregate amounted to approximately RM39,452,000 in year 2019, which was mainly comprised of interests on bank and other borrowings of approximately RMB32,795,000 in aggregate and bank charges and other finance costs of approximately RMB6,657,000.

***Profit attributable to owners of the Company and earnings per share***

In summary, in year 2019, profit attributable to owners of the Company amounted to approximately RMB4,424,000, which represented a decrease of 83.39% or RMB22,213,000 as compared to that of RMB26,637,000 in year 2018. Basic and diluted earnings per share attributable to owners of the Company for year 2019 were RMB0.0027 and RMB0.0027 respectively.

**2. Liquidity and financial resources**

As at 31 December 2019, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB808,766,000 (2018: RMB902,562,000). During the year, net cash inflow from operating activities amounted to approximately RMB148,754,000, net cash outflow from investing activities amounted to approximately RMB102,924,000, and net cash outflow from financing activities amounted to approximately RMB163,536,000.

As at 31 December 2019, the Group had approximately RMB570,323,000 (2018: RMB630,523,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, bank guarantees, etc.

As at 31 December 2019, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB497,632,000 (2018: RMB171,699,000).

**3. Capital structure**

As of 31 December 2019, the share capital of the Company comprises 1,634,016,389 ordinary shares (2018: 1,632,016,389 ordinary shares). As at 31 December 2019, net assets of the Group amounted to approximately RMB2,150,993,000 (2018: RMB2,133,016,000), comprising non-current assets of approximately RMB1,716,353,000 (2018: RMB1,668,337,000), net current assets of approximately RMB962,943,000 (2018: RMB903,067,000) and non-current liabilities of approximately RMB528,303,000 (2018: RMB438,388,000).

**4. Significant investment**

During the year, the construction of the foundation of Penglai Jutal's west factory area, the construction site as well as the auxiliary work to wind energy, water energy and electric energy was already completed in 2019, with total investment of approximately RMB72,000,000;

The reconstruction of the Penglai site leased by Penglai Jutal and the bridge engineering have started in the second half of 2019, and has now entered the peak construction period. They are expected to be completed in the first half of 2020, with a total investment of approximately RMB30 million;

The construction of Jutal administrative buildings in Zhuhai was already completed in 2019, with a total investment of approximately RMB35,000,000.

Apart from the above, the Group had no other significant investment during the year ended 31 December 2019.

**5. Foreign exchange risk**

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Euro and United States dollars (US$). During the years ended 31 December 2019 and 2018, the Group has entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

## 6. Assets pledged by the Group

As at 31 December 2019, approximately RMB56,813,000 (2018: RMB69,040,000) of the bank deposits and RMB9,507,000 (2018:RMB8,846,000) of other receivables of the Group were pledged as security deposits for bank and other borrowings, the issuance of performance bonds, letter of credits and bank acceptance.

As at 31 December 2019, the carrying amount of fixed assets pledged as security for the Group's bank and other borrowings amounted to approximately RMB105,686,000 (2018: RMB124,423,000).

## 7. Contingent liabilities

The Group is a defendant in a lawsuit brought during the year ended 2018 claiming approximately RMB8.2 million together with interest relating to subcontracting services rendered by a subcontractor (the "Plaintiff"). The Group has filed a counterclaim against the Plaintiff for approximately RMB3.7 million. The lawsuit is now being proceeded and has not been completed up to the date of this report.

Because the final outcome of the proceedings is uncertain, the directors based on the legal advice obtained and determined that the ultimate liability, if any, will not have a material impact on the Group's financial position.

Save as disclosed above, as at 31 December 2019 and 31 December 2018, the Group did not have other significant contingent liabilities.

## 8. Capital management

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

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

The Group monitors capital by using a gearing ratio, which is total 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 2019 and at 31 December 2018 were as follows:

| | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
|---|---|---|
| **Bank and other borrowings** | **682,042** | 805,999 |
| **Loan from ultimate holding company** | **-** | - |
| **Total borrowings** | **682,042** | 805,999 |
| **Total equity** | **2,150,993** | 2,133,016 |
| **Gearing ratio** | **31.71%** | 37.79% |

The decrease in the gearing ratio in 2019 was mainly due to the decrease in total borrowings. The Group adjusts the amount of bank and other borrowings from time to time to meet the Group's working capital needs.

## 9. Employees and remuneration policy

As at 31 December 2019, the Group had total 3,172 employees (31 December 2018: 2,747 employees), of which 1,428 (31 December 2018: 1,201) were management and technical staff, and 1,641 (31 December 2018: 1,546) were technicians.

The Group encourages staff to long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group contributes to social security funds and housing funds for employees according to the local laws and regulations.

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

## DIVIDEND

The Board did not recommend payment of a final dividend for the year ended 31 December 2019.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises of three independent non-executive directors. The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2019.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Corporate Governance Codes set out in Appendix 14 of the Listing Rules for the year ended 31 December 2019, save and except the Company provides the three board members, namely Mr. Liu Lei, Mr. Wang Lishan and Mr. Cao Yunsheng, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code as set out in Appendix 14 of the Listing Rules is to enhance the Company's cost-efficiency.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the directors have complied with the standard set out in the Model Code for the year ended 31 December 2019.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed interest in any of the Company's listed securities during the year ended 31 December 2019.

## PUBLICATION OF FINAL RESULTS

This results announcement will be published on the website of the Stock Exchange and the Company's website (www.jutal.com). The annual report for the year ended 31 December 2019 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2020

** For identification purposes only*

*As at the date of this announcement, the executive Directors are Mr. Liu Lei (Chairman), Mr. Wang Lishan, Mr. Wang Ningsheng, Mr. Cao Yunsheng, Mr. Liu Yunian and Mr. Tang Hui; and the independent non-executive Directors are Mr. Su Yang, Mr. Zheng Yimin and Mr. Qi Daqing.*