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 2021

Financial Highlights

- Revenue increased by 9.17% to RMB3,981,612,000
- Gross profit decreased by 36.66% to RMB283,616,000
- Net profit attributable to owners of the Company decreased by 92.49% to RMB11,024,000
- Basic and diluted earnings per share were RMB0.0066 and RMB0.0065 respectively
- The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

The above are intended to be highlights to the salient aspects of the annual results of the Group for the year ended 31 December 2021 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 2021 together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021**	2020
		RMB'000	RMB'000
Revenue	4	**3,981,612**	3,647,183
Cost of sales and services		**(3,697,996)**	(3,199,434)
Gross profit		**283,616**	447,749
Other income	5	**63,408**	68,520
Reversals of impairment losses on trade and bills receivables/(Impairment losses on trade and bills receivables)		**33,708**	(55,463)
Reversals of impairment losses on other receivables		**-**	11,591
(Impairment losses on contract assets)/Reversals of impairment losses on contract assets		**(960)**	53
Administrative expenses		**(301,642)**	(256,465)
Other operating expenses		**(28,733)**	(6,746)
Profit from operations		**49,397**	209,239
Finance costs	7	**(29,586)**	(34,122)
Profit before tax		**19,811**	175,117
Income tax expense	8	**(8,787)**	(28,405)
Profit for the year	9	**11,024**	146,712
Attributable to:			
Owners of the Company		**11,024**	146,712
Earnings per share	11		
		RMB	RMB
Basic		**0.66 cents**	8.98 cents
Diluted		**0.65 cents**	8.98 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021**	2020
		RMB'000	RMB'000
Profit for the year		**11,024**	146,712
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(13,348)**	(53,384)
Other comprehensive income for the year, net of tax		**(13,348)**	(53,384)
Total comprehensive income for the year		**(2,324)**	93,328
Attributable to:			
Owners of the Company		**(2,324)**	93,328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,179,349**	1,246,905
Right-of-use assets		**429,513**	444,561
Goodwill		**52,444**	52,444
Intangible assets		**11,046**	12,226
Trade receivables, non-current	12	**9,476**	1,592
Deferred tax assets		**54,762**	29,452
		1,736,590	1,787,180
Current assets			
Inventories		**174,945**	127,343
Trade and bills receivables	12	**419,536**	721,246
Contract cost assets	13	**7,136**	6,150
Contract assets	14	**488,216**	455,282
Prepayments, deposits and other receivables		**225,618**	181,474
Derivative financial instruments		**24,848**	2,182
Current tax assets		**6**	-
Pledged bank deposits		**134,310**	136,073
Bank and cash balances		**662,765**	1,188,255
		2,137,380	2,818,005
Current liabilities			
Trade and bills payables	15	**1,106,870**	1,056,120
Contract liabilities	14	**86,677**	430,267
Accruals and other payables		**111,133**	133,667
Provisions	16	**157,697**	68,541
Bank borrowings		**306,000**	37,500
Deferred income		**8,849**	8,398
Lease liabilities		**10,086**	9,118
Current tax liabilities		**9,735**	17,174
		1,797,047	1,760,785
Net current assets		**340,333**	1,057,220
Total assets less current liabilities		**2,076,923**	2,844,400

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Non-current liabilities			
Deferred income		**19,264**	28,563
Lease liabilities		**41,847**	45,868
Bank borrowings		**176,200**	482,200
Deferred tax liabilities		**34,145**	38,424
		271,456	595,055
NET ASSETS		**1,805,467**	2,249,345
Capital and reserves			
Share capital		**15,150**	14,755
Reserves		**1,790,317**	2,234,590
TOTAL EQUITY		**1,805,467**	2,249,345

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 10th Floor, Chiwan Petroleum Building, Shekou, Nanshan District, Shenzhen, the People's Republic of China (the "PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company.

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).

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 these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 Business Combination - Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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. REVENUE

(a) Disaggregation of revenue

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

	2021	2020
Revenue from contracts with customers within the scope of HKFRS 15	**RMB'000**	RMB'000
Disaggregated by type of contract		
- Revenue from construction contracts	**3,801,550**	3,516,273
- Trading of oil and gas, chemical and new energy products	**14,455**	9,043
- Technical support services	**165,607**	121,867
	3,981,612	3,647,183

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 new energy products		Technical support services		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	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	**5,032**	108,105	**14,455**	9,043	**594**	1,119	**20,081**	118,267
Goods and services transferred over time	**3,796,518**	3,408,168	**-**	-	**165,013**	120,748	**3,961,531**	3,528,916
Total	**3,801,550**	3,516,273	**14,455**	9,043	**165,607**	121,867	**3,981,612**	3,647,183

4. REVENUE (CONT'D)

(b) **Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of oil and gas, chemical and new energy products		Technical support services	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Within one year	**1,210,418**	3,715,111	**-**	3,804	**42,089**	53,648
More than one year but not more than two years	**145,549**	221,985	**-**	-	**2,989**	-
More than two years	**-**	-	**-**	-	**-**	-
	1,355,967	3,937,096	**-**	3,804	**45,078**	53,648

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts and technical support service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

5. OTHER INCOME

	2021	2020
	RMB'000	RMB'000
Net foreign exchange gains	**-**	17,977
Compensation income	**1,922**	-
Reversal of allowance for inventories	**-**	3,878
Government grants recognised (note a)	**15,585**	19,338
Interest income on bank deposits	**10,019**	11,296
Gains on derivative financial instruments	**30,992**	13,179
Reversal of other receivable previously written off(note b)	**3,000**	-
Gains on disposal of property, plant and equipment	**171**	-
Others	**1,719**	2,852
	63,408	68,520

Note (a): For the year ended 31 December 2021, government grants of approximately RMB6,737,000 (2020: RMB10,999,000) are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Government grants of approximately RMB8,848,000 (2020: RMB8,339,000) are recognised in relation to certain research and development activities.

(b) : For the year ended 31 December 2021, the reversal of the other receivables has mainly resulted from the settlement of the amount which was fully written off in previous year.

6. SEGMENT INFORMATION

The Group has two 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 new energy and refining and chemical industries

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 requires different technology and marketing strategies.

The Group's other operating segment mainly represents provision of undersea maintenance services and technical support services for industries other than oil and gas, new energy and refinery and chemical sectors. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs, impairment losses /reversals of impairment losses on (i) trade and bills receivables; (ii) other receivables; and (iii) 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 borrowings, derivative financial instruments, current and deferred tax liabilities and deferred income.

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 new energy and refining and chemical industries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021				
Revenue from external customers	**2,922,044**	**1,038,885**	**20,683**	**3,981,612**
Segment profit	**420,234**	**(137,074)**	**456**	**283,616**
Depreciation and amortisation	**131,204**	**36,664**	**778**	**168,646**
Other material non-cash items:				
(Reversals of impairment losses)/impairment losses on trade and bills and other receivables, net	**17,355**	**(50,982)**	**(81)**	**(33,708)**
(Reversals of impairment loss)/impairment losses on contract assets	**547**	**411**	**2**	**960**
Additions to segment non-current assets	**54,117**	**36,152**	**507**	**90,776**
As at 31 December 2021				
Segment assets	**2,185,251**	**720,242**	**28,295**	**2,933,788**
Segment liabilities	**1,318,533**	**180,727**	**15,050**	**1,514,310**
Year ended 31 December 2020				
Revenue from external customers	2,844,666	779,120	23,397	3,647,183
Segment profit	375,425	72,204	120	447,749
Depreciation and amortisation	140,151	16,788	440	157,379
Other material non-cash items:				
(Reversal of impairment losses)/impairment losses on trade and bills and other receivables, net	(17,463)	61,778	(443)	43,872
(Reversal of impairment loss)/impairment losses on contract assets	(89)	26	10	(53)
Additions to segment non-current assets	184,242	54,442	783	239,467
As at 31 December 2020				
Segment assets	2,441,754	729,139	13,660	3,184,553
Segment liabilities	1,510,170	227,848	5,563	1,743,581

6. SEGMENT INFORMATION (CONT'D)

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

	2021 RMB'000	2020 RMB'000
Profit or loss		
Total profit of reportable segments	**283,616**	447,749
Unallocated amounts:		
Finance costs	**(29,586)**	(34,122)
Reversals of impairment losses on trade and bills receivables/(impairment losses on trade and bills receivables)	**33,708**	(55,463)
Reversals of impairment losses on other receivables	**-**	11,591
(Impairment losses on contract assets)/reversals of impairment losses on contract assets	**(960)**	53
Other income	**63,408**	68,520
Other corporate expenses	**(330,375)**	(263,211)
Consolidated profit before tax for the year	**19,811**	175,117
Assets		
Total assets of reportable segments	**2,933,788**	3,184,553
Unallocated amounts:		
Bank and cash balances	**662,765**	1,188,255
Pledged bank deposits	**134,310**	136,073
Derivative financial instruments	**24,848**	2,182
Current tax assets	**6**	-
Deferred tax assets	**54,762**	29,452
Goodwill	**52,444**	52,444
Other corporate assets	**11,047**	12,226
Consolidated total assets	**3,873,970**	4,605,185
Liabilities		
Total liabilities of reportable segments	**1,514,310**	1,743,581
Unallocated amounts:		
Bank borrowings	**482,200**	519,700
Current tax liabilities	**9,735**	17,174
Deferred income	**28,113**	36,961
Deferred tax liabilities	**34,145**	38,424
Consolidated total liabilities	**2,068,503**	2,355,840

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

The Group's revenue 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:

	Revenue		Non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**378,067**	470,578	**1,681,828**	1,757,728
United States	**453,766**	1,708,780	-	-
Switzerland	**103,743**	44,993	-	-
Norway	**174,161**	36,057	-	-
Singapore	**2,075**	41,320	-	-
Japan	**148**	21,520	-	-
France	**1,835,086**	535,600	-	-
United Kingdom	**952,275**	674,930	-	-
Netherlands	**71,726**	112,365	-	-
Others	**10,565**	1,040	-	-
Consolidated total	**3,981,612**	3,647,183	**1,681,828**	1,757,728

Revenue from major customers:

	Fabrication of facilities and provision of integrated services for oil and gas industries	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021				
Customer A	**320,047**	**-**	**-**	**320,047**
Customer B	**65,310**	**886,602**	**-**	**951,912**
Customer C	**1,778,619**	**-**	**-**	**1,778,619**
Year ended 31 December 2020				
Customer A	1,413,133	-	-	1,413,133
Customer B	491	674,439	-	674,930
Customer C	535,600	-	-	535,600

7. FINANCE COSTS

	2021	2020
	RMB'000	RMB'000
Interest on bank borrowings	**22,935**	27,031
Interest on lease liabilities	**2,599**	2,776
Others	**4,052**	4,315
	29,586	34,122

8. INCOME TAX EXPENSE

	2021	2020
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**39,116**	54,642
Over-provision in prior years	**(740)**	(1,227)
	38,376	53,415
Deferred tax	**(29,589)**	(25,010)
	8,787	28,405

(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 2021 and 2020.

8. INCOME TAX EXPENSE (CONT'D)

(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 28 November 2019 to 27 November 2022 (the "Period").

During the year ended 31 December 2021, 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 3 December 2020 to 2 December 2023 (the "Period").

During the year ended 31 December 2021, Chengdu Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15%.

(iii) Zhuhai Jutal Offshore Oil Services Company Limited ("Zhuhai Jutal")

Zhuhai Jutal was approved to recognise as a new and high technology enterprise starting from 9 December 2020 to 8 December 2023 (the "Period").

During the year ended 31 December 2021, Zhuhai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% throughout the Period.

(iv) 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.

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

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**19,811**	175,117
Tax at the PRC enterprise income tax rate of 25% (2020: 25%)	**4,953**	43,779
Tax effect of income that is not taxable	**(952)**	(2,434)
Tax effect of expenses that are not deductible	**17,622**	10,709
Tax effect of tax losses not recognised	**5,693**	-
Deferred tax on undistributed earnings of the PRC subsidiaries	**3,245**	4,080
Tax benefit for qualifying research and development expenses	**(12,677)**	(5,455)
Over-provision in prior years	**(740)**	(1,227)
Effect of different tax rates of subsidiaries	**(8,357)**	(21,047)
Income tax expense	**8,787**	28,405

9. PROFIT FOR THE YEAR

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

		2021 RMB'000	2020 RMB'000
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**550,732**	476,719
	Retirement scheme contributions	**36,444**	25,131
	Share-based payments	**44,232**	3,760
		631,408	505,610
(b)	Others items:		
	Amortisation of intangible assets	**2,009**	1,345
	Depreciation on property, plant and equipment	**143,913**	128,645
	Depreciation on right-of-use assets	**22,724**	27,389
	Net (gain) /loss on disposals of property, plant and equipment*	**(171)**	1,934
	Written off of right-of-use assets*	**-**	154
	Net foreign exchange losses/(gains)*	**16,382**	(17,977)
	Research and development expenditure	**123,665**	119,063
	Auditor's remuneration	**1,693**	1,720
	Share-based payments paid to a consultant	**1,186**	1,264
	Cost of inventories utilised in construction contracts and sold	**726,237**	1,000,734
	Impairment /(Reversals) of allowance on inventories*	**4,614**	(3,878)
	(Reversals) /Impairment of allowance on trade and bills receivables	**(33,708)**	55,463
	Reversals of impairment losses on other receivables	**-**	(11,591)
	Impairment /(Reversals) of allowance on contract assets	**960**	(53)
	Impairment losses on goodwill*	**-**	2,204
	Impairment losses on property, plant and equipment*	**5,317**	-
	Gains on derivative financial instruments*	**(30,992)**	(13,179)

*This amount is included in "Other income" / "Other operating expenses"

10. DIVIDENDS

	2021 RMB'000	2020 RMB'000
2020 interim special dividend of HK$0.15 per ordinary share	**204,930**	-
2020 final dividend of HK$0.22 per ordinary share	**307,783**	-

In February 2021, the Company paid an interim special dividend of RMB204,930,000 (HK$0.15 per ordinary share) to the shareholders.

In July 2021, the Company paid a final dividend of RMB307,783,000 (HK$0.22 per ordinary share) to the shareholders.

The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

11. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**11,024**	146,712

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,664,616,937**	1,634,016,389
Effect of dilutive potential ordinary shares arising from share options	**18,207,469**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,682,824,406**	1,634,016,389

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

	2021	2020
	RMB'000	RMB'000
Trade receivables	**548,848**	857,630
Allowance for doubtful debts	**(120,146)**	(153,854)
	428,702	703,776
Bills receivables	**310**	19,062
	429,012	722,838

	2021	2020
	RMB'000	RMB'000
Classified as:		
Trade receivables, non-current	**9,476**	1,592
Trade and bills receivables, current	**419,536**	721,246
	429,012	722,838

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 regularly reviewed by the directors.

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

	2021	2020
	RMB'000	RMB'000
Billed		
0 to 30 days	**249,385**	399,622
31 to 90 days	**83,267**	23,548
91 to 365 days	**25,725**	59,730
Over 365 days	**72,695**	184,123
	431,072	667,023
Unbilled (note a)	**117,776**	190,607
	548,848	857,630

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 2021, unbilled balance of RMB9,476,000 (2020: RMB1,592,000) will be billed after one year from the end of the reporting date.

12. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2021, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB18,386,000 (2020: RMB8,313,000).

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

	2021	2020
	RMB'000	RMB'000
RMB	**350,757**	575,426
US$	**77,104**	144,273
Euro	**-**	3,139
HK$	**1,151**	-
Total	**429,012**	722,838

13. CONTRACT COST ASSETS

	2021	2020
	RMB'000	RMB'000
Contract cost assets	**7,136**	6,150

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:

	2021	2020
	RMB'000	RMB'000
At 1 January	**6,150**	69,654
Additions	**1,219**	27,147
Amortisation for the year	**(233)**	(90,651)
Impairment loss on contract cost assets	**-**	-
At 31 December	**7,136**	6,150

14. CONTRACT ASSETS / CONTRACT LIABILITIES

Contract assets	2021 RMB'000	2020 RMB'000
Arising from performance under construction contracts	**443,872**	411,806
Arising from performance under technical support services	**44,344**	43,476
	488,216	455,282
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	**429,012**	722,838

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.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB258,636,000 (2020: RMB608,000), 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 RMB371,000 (2020: RMB170,000).

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

Contract liabilities	**2021**	2020
	RMB'000	RMB'000
Billings in advance of performance obligation		
- Construction contracts	**80,881**	428,399
- Technical support services	**5,796**	1,868
	86,677	430,267

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 decrease in the contract liabilities balance mainly because revenue from contracts with significant amount of contract liabilities at the beginning of the year were recognised in the year.

Movements in contract liabilities:

	2021	2020
	RMB'000	RMB'000
Balance at 1 January	**430,267**	299,110
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	**(514,519)**	(280,200)
Increase in contract liabilities as a result of billing in advance of construction activities	**170,929**	411,357
Balance at 31 December	**86,677**	430,267

No billings in advance are expected to be recognised as income after more than one year for the years ended 31 December 2021 and 2020.

15. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	**1,064,500**	980,751
Bills payables	**42,370**	75,369
	1,106,870	1,056,120

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

	2021	2020
	RMB'000	RMB'000
0 to 30 days	**803,232**	816,354
31 to 90 days	**135,846**	54,711
91 to 365 days	**66,984**	15,376
Over 365 days	**58,438**	94,310
	1,064,500	980,751

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

	2021	2020
	RMB'000	RMB'000
RMB	**1,103,859**	1,040,115
US$	**2,772**	15,899
HK$	**104**	106
EUR	**135**	-
Total	**1,106,870**	1,056,120

16. PROVISIONS

	Warranty provision (note (i))		Provision for onerous contract (note (ii))		Total	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**46,506**	58,117	**22,035**	-	**68,541**	58,117
Additional provisions	**46,920**	26,068	**56,079**	22,035	**102,999**	48,103
Provisions used	-	-	-	-	-	-
Unused provisions reversed	**(13,843)**	(37,679)	-	-	**(13,843)**	(37,679)
At 31 December	**79,583**	46,506	**78,114**	22,035	**157,697**	68,541

Note:

(i) The warranty provision represents the Group's best estimate of the Group's liability under 18 - 120 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) The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contract, which exceeds the expected benefits to be received by the Group. The provision is measure at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

RSM Hong Kong was engaged as independent auditor to audit the consolidated financial statements of the Group.

The following is the extract of the independent auditor’s report from the independent auditor of the Group:

Qualified Opinion

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As stated in note 5(j) to the consolidated financial statements, as at 31 December 2021, the management of the Group estimated the provision for liquidated damages for the delay in progress of a contract at an amount of RMB65,000,000.

However, pursuant to the terms of the contract, a subsidiary of the Group is liable to liquidated damages if the shipments of equipment are delayed. The first few shipments of the above mentioned contract were delayed considerably. The liquidated damages calculated strictly under the terms of the contract is materially in excess of the amount provided. Nevertheless, management is of the opinion that the delay was due to many reasons and a number of which were beyond their control and the management are still in negotiation with the customer on the final amount of the liquidated damages.

In addition, the Group is claiming the customer the costs for some additional work performed in respect of the contract. However, the aforesaid claims are yet to be approved and finalized with the customer and hence were not recognised in the financial statements. The exact amount of the liquidated damages and the claim for costs are yet to be agreed and finalised with the customer.

In view of the above circumstances, we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the provision for liquidated damages recognised in the statement of financial position as at 31 December 2021 and the corresponding charge to profit or loss for the year ended 31 December 2021.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT’S VIEW ON THE QUALIFIED OPINION

Management is actively negotiating with the customer on the liquidated damages for the delay in progress of a contract, and although no agreement has been reached for the time being, it is expected that a final amount will be reached with the customer by the end of July 2022.

VIEW OF AUDIT COMMITTEE

After discussion with management and the auditor, the Audit Committee agreed with the basis and views of the auditors' qualified opinion. The Audit Committee will continue to monitor the process of resolving the matter.

BUSINESS REVIEW

The Group is principally engaged in the provision of integrated services including high-end equipment fabrication and engineering services to customers in the energy, refinery and chemical industries. We have two large-scale equipment fabrication bases in Penglai site and Zhuhai site and provide the construction of large-scale module, offshore engineering and new energy equipment. During the reporting year, the Group continued to optimise our management structure, strengthened our monitoring on management, concentrated our resources on the construction of projects in hand and completed the delivery of several large-scale projects.

The core module construction project of the North American GCGV natural gas chemical plant was undertaken by the Penglai site of the Group in 2018. We commenced site construction in early 2019 and successfully completed and finally delivered in March 2021. The GCGV project is a chemical plant with an annual output of 1.8 million tonnes of ethylene. It is also the first time in the industry that the entire chemical plant has been designed and constructed in a modular manner. The Penglai site undertook the construction of a total of 40 core modules, including the four largest cracking furnace modules in the world. During the construction period of more than two years, 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, organised a team of more than 5,000 construction personnel, and successfully realised 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 core module construction for the production line of Arctic LNG 2, another large-scale project implemented by the Penglai site of the Group, completed the delivery of three 10,000-tonne modules under the first train in end November 2021. Arctic LNG 2 is the second Arctic LNG production project having a total of three LNG production lines with an annual production capacity of 6.60 million tonnes. In July 2019, the Penglai site undertook the construction of the most important and complicated compressor and generator modules of two trains, including the world's most advanced and largest turbine compressors and generators by far and also the first ever installation and application equipment globally. A single module weighs approximately 10,000 tonnes and the construction faces tremendous difficulties and a tight schedule. From the official start of site construction in December 2019, thousands of constructors from various countries overcame the impacts of the epidemic reoccurrence, meticulously organised the design, procurement of materials, construction and other aspects of the work, overcame difficulties, promoted innovation and improved work efficiency, achieving the upgrading of the construction capability and efficiency improvement on various aspects. As at the end of 2021, the construction of this project has achieved over 20 million safe working hours.

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 as well as the fabrication of topside modules for FPSO and other projects. Owing to the fact that the progress is behind schedule and the significant increase in costs, some on-going projects recorded significant losses during the reporting year, thereby affecting the annual performance of the Group. Based on relevant conditions, the Group adopted various measures to actively respond to and solve the issues in the second half year. For example, the Group transferred some construction works to the Penglai site to accelerate the work progress, adjusted and optimised the management structure and procedures and implemented innovative construction technologies to improve the efficiency, quality and effectiveness of the construction.

The Group implements comprehensive risk identification based on the project construction plan and detail-oriented on-site change management. Teams that are responsible for health, environmental protection and safety of all projects conduct careful risk identification and take advance move in updating with reference to the construction plans. They conduct meticulous planning based on experience and lessons learned and further formulate response measures on possible abnormal conditions in reacting to emergency and particular conditions on site in a timely manner.

The Group proactively improves the professional quality of employees through trainings on job skills, safety and quality activities, on-the-job trainings, skill contests and other forms of activities. We organise diversified staff activities to stimulate employees, convey corporate caring concept, strengthen communications and coordinate in solving problems to promote the improvement of management.

During the year, the Group constantly enhanced measures on COVID-19 prevention and control, conducted strict personnel management and ensured regulated, normalised and all-dimensional prevention and control with no careless omissions. We actively arranged vaccination for all employees to ensure the stable and parallel progress in COVID-19 prevention and control and the production and operation of the enterprise.

In order to strengthen the future capacities of the Zhuhai site of the Group for undertaking business and product shipment, in the first half of 2021, the Group initiated the project of No. 2 pier construction for Zhuhai Site and completed the preliminary feasibility report as well as the preparation of investment budget and construction plan which were subject to further approval by the government. Meanwhile, we also built, reconstructed and upgraded certain other plants and production facilities.

PROSPECTS

The global economy recorded substantial recovery growth and the crude oil prices kept surging in 2021. It is expected that the world economy will continue its orderly recovery path in 2022. However, the reoccurrence of the global COVID-19 epidemic and international geopolitical conflicts brought about a complicated and changing external environment. As a result of the increasing emphasis on energy security and the expected intensifying fluctuations of crude oil prices in the future, energy and chemical industries will also face various challenges, in which they will bring uncertainties to some projects that are tracking by the Group.

Some large projects of the Group in hand will be completed successively in 2022 and undertaking subsequent orders are the paramount tasks that need to be practically faced and solved by the Group. The Group will invest more resources in consolidating and enhancing market organisation, improve marketing capability, boost efforts in market development, strengthen and improve decision-making mechanisms, seize significant bidding opportunities, study, formulate and implement effective market strategies and incentive measures, enhance communications with customers and actively seek market orders.

In order to closely follow the development trend of all projects in future and seize market development opportunities, the Group will pay close attention to the layout of the energy market and keep an eye on the module and ocean engineering market with the focus on core markets and advantageous products. We will vigorously cultivate and improve offshore wind power equipment and other new energy products, so as to develop the comprehensive service capability on various energy systems and fields.

The continuous enhancement of the core competitiveness is the long-term impetus to the sustainable development of the Group. The Group will continue to invest in the transformation of site facilities in due time to improve construction efficiency, reduce construction cost and increase manufacturing capability on complicated process modules. Meanwhile, it will improve the design and procurement capabilities on process modules to enhance market competitiveness.

The Group will conduct an in-depth analysis on all links of the current operation of the Company, including production, projects, quality and sub-contracting management, conduct in-depth study and formulate various improvement strategies, adjust organisational structure, enhance management and control, specify responsibility and evaluation mechanisms and implement quality standards stringently. All business units have adopted various measures to control costs and fees and improve efficiency.

The Group will also actively seek and study new business opportunities and expand new business market through acquisitions, cooperation and other methods to promote business transformation.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial and business review

Revenue

In year 2021, the Group recorded a revenue of approximately RMB3,981,612,000 representing an increase of 9.17% or RMB334,429,000 as compared with year 2020. Among others, revenue from the fabrication of facilities and provision of integrated services for oil and natural gas industries increased by 2.72% or RMB77,378,000 as compared with that of year 2020; the revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries increased by 33.34% or RMB259,765,000 as compared with that of year 2020, which was mainly due to the contribution from the offshore wind power farm facilities project; other businesses mainly represents provision of subwater technical support services and provision of technical support services for the shipbuilding industry, and the revenue decreased by 11.60% or RMB2,714,000 as compared to last year, the workload of such business remained at a lower level.

The table below sets out the analysis of revenue by business segments for the years 2021, 2020 and 2019 respectively:

		For the financial year ended 31 December					
		2021		2020		2019	
	Business Segments	**RMB'000**	**Percentage to total revenue (%)**	RMB'000	Percentage to total revenue (%)	RMB'000	Percentage to total revenue (%)
1	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**2,922,044**	**73**	2,844,666	78	1,616,399	92
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**1,038,885**	**26**	779,120	21	126,480	7
3.	**Others**	**20,683**	**1**	23,397	1	17,745	1
	Total	**3,981,612**	**100**	3,647,183	100	1,760,624	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB3,697,996,000 in year 2021, representing an increase of 15.58% or RMB498,562,000 as compared with RMB3,199,434,000 in year 2020. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB3,364,114,000, representing 90.97% of the total cost of sales and services, and an increase of RMB431,123,000 or 14.70% from RMB2,932,991,000 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 RMB67,439,000 or 25.31% from RMB266,443,000 of the corresponding period of last year to approximately RMB333,882,000 in current reporting period.

Gross profit

The total gross profit of the Group for the year 2021 amounted to approximately RMB283,616,000, representing an decrease of 36.66% or RMB164,133,000 as compared with RMB447,749,000 in year 2020. The overall gross profit margin dropped to 7.12% from 12.28% of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and natural gas industries rose from 13.20% in year 2020 to 14.38%; the gross profit margin of the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries dropped from 9.27% in year 2020 to negative 13.19%, which was mainly due to lagging progress and substantial increase in costs of some of the ongoing projects in the Zhuhai site; the gross profit margin of other businesses rose from 0.51% in year 2020 to 2.21%. The changes in business structure resulted in varying changes in the gross profit margin of different business segments during the year. The overall gross profit margin dropped significantly which was mainly due to some of the ongoing projects in the Group's Zhuhai site recorded a significant loss in the year.

The following shows the breakdown of gross profit / (loss) by business segments for the years 2021, 2020 and 2019 respectively:

		For the financial year ended 31 December								
		2021			2020			2019		
	Business Segments	**RMB' 000**	**Gross profit margi n (%)**	**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**	**420,234**	**14**	**148**	375,425	13	84	328,989	20	103
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**(137,074)**	**（13）**	**（48）**	72,204	9	15	(7,649)	(6)	(2)
3	**Others**	**456**	**2**	**0**	120	1	1	(1,046)	(6)	(1)
	Total	**283,616**		**100**	447,749		100	320,294		100

Other income

Other income of the Group in year 2021 amounted to approximately RMB63,408,000, mainly comprising in the gains on forward settlement contracts， income from government grants and interest income.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate increased by 25.52% or RMB67,164,000 as compared with that of year 2020 to approximately RMB330,375,000, primarily resulting from the increase in share based payment expenses and staff remuneration.

Finance costs

Finance costs in aggregate amounted to approximately RMB29,586,000 in year 2021, which was mainly comprised of interests on bank borrowings of approximately RMB22,935,000 and bank charges and other finance costs of approximately RMB6,651,000.

Profit attributable to owners of the Company and earnings per share

In summary, in year 2021, profit attributable to owners of the Company amounted to approximately RMB11,024,000, which represented an decrease of 92.49% or RMB135,688,000 as compared to that of RMB146,712,000 in year 2020. Basic and diluted earnings per share attributable to owners of the Company for year 2021 were RMB0.0066 and RMB0.0065 respectively.

2. Liquidity and financial resources

As at 31 December 2021, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB666,970,000 (2020: RMB1,191,173,000). During the year, net cash inflow from operating activities amounted to approximately RMB78,546,000, net cash outflow from investing activities amounted to approximately RMB54,210,000, and net cash outflow from financing activities amounted to approximately RMB535,201,000.

As at 31 December 2021, the Group had approximately RMB397,830,000 (2020: RMB332,940,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc. but exclude bank guarantees.

As at 31 December 2021, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB883,331,000 (2020: RMB1,048,565,000).

3. Capital structure

As of 31 December 2021, the share capital of the Company comprises 1,681,306,389 ordinary shares (2020: 1,634,016,389 ordinary shares). As at 31 December 2021, net assets of the Group amounted to approximately RMB1,805,467,000(2020:RMB2,249,345,000), comprising non-current assets of approximately RMB1,736,590,000 (2020: RMB1,787,180,000), net current assets of approximately RMB340,333,000 (2020: RMB1,057,220,000) and non-current liabilities of approximately RMB271,456,000 (2020: RMB595,055,000).

4. Significant investment

During the year, according to the market situation and future development plan, the Company further improved the equipment and facilities in the Penglai site and the Zhuhai site with a total amount of approximately RMB80,000,000, and will keep on improving the equipment and facilities conditions in order to satisfy the needs of existing and potential projects.

Save as disclosed above, during the year ended 31 December 2021, the Group had no other significant investment, acquisition and disposal.

5. Foreign exchange risk

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are 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.

6. Assets pledged by the Group

As at 31 December 2021, approximately RMB134,310,000 (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.

7. Contingent liabilities

As at 31 December 2021, the Group did not have 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 and lease liabilities 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 2021 and at 31 December 2020 were as follows:

	2021	2020
	RMB'000	RMB'000
Bank borrowings	**482,200**	519,700
Lease liabilities	**51,933**	54,986
Total equity	**1,805,467**	2,249,345
Gearing ratio	**29.58%**	25.55%

The increase in the gearing ratio from the year ended 31 December 2021 resulted primarily from decrease in the Group's equity balances after paying the 2020 interim dividend and 2020 final dividend in aggregate of RMB512,713,000. The Group adjusts the amount of bank borrowings from time to time to meet the Group's working capital needs.

9. Employees and remuneration policy

As at 31 December 2021, the Group had total 3,512 employees (31 December 2020: 3,568 employees), of which 1,475 (31 December 2020: 1,625) were management and technical staff, and 2,037 (31 December 2020: 1,943) 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 does not recommend the payment of final dividend for the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company comprises of four independent non-executive directors. The audit committee has reviewed the consolidated results of the Group for the year ended 31 December 2021.

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 2021, save for the deviations from the code provisions as follows:

Under code provision C.1.2, Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail.

The Company provides the three board members, namely Mr. Cao Yunsheng, Mr. Wang Ningsheng (During his tenure as president of the Company) 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 accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code as set out in Appendix 14 of the Listing Rules is to enhance the Company's efficiency.

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 2021.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

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 2021 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2022

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.