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)

2020 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was RMB1,296,344,000, a 163.13% increase from the same period in last year.
- Gross profit was RMB177,496,000, a 101.91% increase from the same period in last year.
- For the six months ended 30 June 2020, profit attributable to owners of the Company was RMB25,363,000.
  For the six months ended 30 June 2019, loss attributable to owners of the Company was RMB32,716,000.
- Basic and diluted earnings per share was RMB1.552 cents for the six months ended 30 June 2020.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2020.

The board (the "**Board**") of directors (the "**Directors**") of Jutal Offshore Oil Services Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results for the six months ended 30 June 2020 of the Company and its subsidiaries (collectively referred to as the "**Group**"), together with the comparative figures for the corresponding period in 2019. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been reviewed by the audit committee of the Company (the "**Audit Committee**"). RSM Hong Kong, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June **2020** **RMB'000** **(Unaudited)**	2019 RMB'000 (Unaudited)
Turnover	4	**1,296,344**	492,668
Cost of sales and services		**(1,118,848)**	(404,758)
Gross profit		**177,496**	87,910
Other income	5	**16,281**	26,601
Administrative expenses		**(96,708)**	(98,795)
Impairment losses on trade and other receivables		**(26,673)**	(6,290)
(Impairment losses)/reversal of impairment losses on contract assets		**(164)**	357
Other operating expenses	6	**(13,517)**	(14,115)
Profit/(loss) from operations		**56,715**	(4,332)
Finance costs	7	**(19,432)**	(19,204)
Profit/(loss) before tax		**37,283**	(23,536)
Income tax expense	8	**(11,920)**	(9,180)
Profit/(loss) for the period attributable to owners of the Company	9	**25,363**	(32,716)
Earnings/(loss) per share	10	RMB	RMB
Basic		1.552 CENTS	(2.002) CENTS
Diluted		1.552 CENTS	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**25,363**	(32,716)
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**18,096**	6,615
Other comprehensive income for the period, net of tax	**18,096**	6,615
Total comprehensive income for the period attributable to owners of the Company	**43,459**	(26,101)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Non-current assets			
Fixed assets	11	**1,177,163**	1,172,874
Right-of-use assets		**445,956**	452,461
Goodwill		**54,648**	54,648
Intangible assets		**7,074**	6,509
Trade receivables, non-current	12	**2,416**	538
Deferred tax assets		**32,195**	29,323
		1,719,452	1,716,353
Current assets			
Inventories		**178,237**	194,251
Trade and bills receivables	12	**652,280**	932,012
Contract cost assets		**18,005**	69,654
Contract assets		**296,251**	161,777
Prepayments, deposits and other receivables		**226,754**	262,057
Derivative financial instruments		**-**	3,160
Due from directors		**-**	833
Current tax assets		**116**	751
Pledged bank deposits		**145,517**	56,813
Bank and cash balances		**1,004,214**	808,330
		2,521,374	2,489,638
Current liabilities			
Trade and bills payables	13	**737,705**	748,993
Contract liabilities		**525,653**	299,110
Accruals and other payables		**77,966**	108,731
Derivative financial instruments		**1,190**	769
Lease liabilities		**12,485**	12,691
Provisions		**59,344**	58,117
Bank and other borrowings		**44,313**	289,342
Deferred income		**10,496**	8,942
Current tax liabilities		**12,696**	-
		1,481,848	1,526,695
Net current assets		**1,039,526**	962,943
Total assets less current liabilities		**2,758,978**	2,679,296

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		**31,440**	34,824
Bank and other borrowings		**446,950**	392,700
Lease liabilities		**41,002**	37,474
Deferred tax liabilities		**43,199**	63,305
		562,591	528,303
NET ASSETS		**2,196,387**	2,150,993
Capital and reserves			
Share capital	14	**14,755**	14,755
Reserves		**2,181,632**	2,136,238
TOTAL EQUITY		**2,196,387**	2,150,993

NOTES:

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group’s financial statements.

3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Fabrication of facilities and provision of integrated services for oil and gas industries ("oil and gas segment").
- Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries ("other energy and refinery and chemical segment").
- Provision of technical support services for shipbuilding industry ("shipbuilding service segment").

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

The Group's other operating segment mainly represents provision of undersea maintenance services for industries other than oil and gas, other energy and refinery and shipbuilding. 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.

	Oil and gas segment RMB'000 (Unaudited)	Other energy and refinery and chemical segment RMB'000 (Unaudited)	Shipbuilding service segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2020					
Revenue from external customers	**1,287,834**	**516**	**7,766**	**228**	**1,296,344**
Segment profit/(loss)	**179,091**	**(216)**	**963**	**(2,342)**	**177,496**
At 30 June 2020:					
Segment assets	**2,831,831**	**176,266**	**6,051**	**8,508**	**3,022,656**
Segment liabilities	**1,344,869**	**99,916**	**4,563**	**705**	**1,450,053**
Six months ended 30 June 2019					
Revenue from external customers	442,529	44,629	4,931	579	492,668
Segment profit/(loss)	78,319	9,043	1,367	(819)	87,910
At 31 December 2019:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	**177,496**	87,910
Unallocated amounts:		
Other income	**16,281**	26,601
Finance costs	**(19,432)**	(19,204)
Other corporate expenses	**(137,062)**	(118,843)
Consolidated profit/(loss) before tax for the period	**37,283**	(23,536)

4. TURNOVER

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

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

For the six months ended 30 June (unaudited)	Oil and gas segment		Other energy and refinery and chemical segment		Shipbuilding service segment		Others		Total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Timing of revenue recognition										
Goods and services transferred at a point in time	**100,929**	28,963	**239**	5	**-**	-	**-**	-	**101,168**	28,968
Goods and services transferred over time	**1,186,905**	413,566	**277**	44,624	**7,766**	4,931	**228**	579	**1,195,176**	463,700
Total	**1,287,834**	442,529	**516**	44,629	**7,766**	4,931	**228**	579	**1,296,344**	492,668

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills receivables	**654,696**	932,550
Contract assets	**296,251**	161,777
Contract liabilities	**525,653**	299,110

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

The amount of approximately RMB 246,508,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2020.

5. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Gain on disposals of fixed assets	**-**	155
Interest income	**5,388**	6,335
Government grants recognised	**10,621**	5,789
Compensation income	**-**	7,353
Fair value gains on derivative financial instruments	**-**	3,393
Sundry income	**272**	3,576
	16,281	26,601

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**6,557**	**12,876**
Fair value loss on derivative financial instruments	**3,368**	**-**
Allowance for inventories	**2,226**	**-**
Others	**1,366**	**1,239**
	13,517	**14,115**

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**16,119**	**18,749**
Others	**3,313**	**455**
	19,432	**19,204**

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	**22,262**	6,585
(Over)/under provision in prior periods	**(5)**	8,337
	22,257	14,922
Deferred tax	**(10,337)**	(5,742)
	11,920	9,180

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the periods ended 30 June 2020 and 2019.

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

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

9. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Allowance/(reversal of allowance) for inventories	**2,226**	(893)
Impairment losses on trade and other receivables	**26,673**	6,290
Gain on disposals of fixed assets	**-**	(155)
Impairment losses/(reversal of impairment losses) on contract assets	**164**	(357)
Directors' emoluments		
- As directors	**180**	180
- For management	**3,215**	4,646
- Share-based payments	**570**	2,111
	3,965	6,937

10. EARNINGS / (LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**25,363**	(32,716)
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**1,634,016,389**	1,634,016,389
Effect of dilutive potential ordinary shares arising from share options	**-**	N/A
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,634,016,389**	N/A

As the exercise of the Group's outstanding share options for the six-month period ended 30 June 2019 were anti-dilutive, no diluted loss per share was presented for the six-month period ended 30 June 2019.

11. FIXED ASSETS

During the six months ended 30 June 2020, the Group acquired fixed assets of approximately RMB58,897,000 (six months ended 30 June 2019: RMB62,695,000).

12. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**756,811**	1,009,021
Allowance for doubtful debts	**(125,064)**	(98,391)
	631,747	910,630
Bills receivables	**22,949**	21,920
	654,696	932,550
Classified as:		
Trade receivables, non-current	**2,416**	538
Trade and bills receivables, current	**652,280**	932,012
	654,696	932,550

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Billed:		
0 to 30 days	**298,387**	367,948
31 to 90 days	**27,745**	63,156
91 to 365 days	**145,433**	77,880
Over 365 days	**171,535**	134,464
	643,100	643,448
Unbilled	**113,711**	365,573
	756,811	1,009,021

13. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	**705,658**	718,583
Bills payables	**32,047**	30,410
	737,705	748,993

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	**486,325**	514,017
31 to 90 days	**33,573**	26,727
91 to 365 days	**40,638**	77,058
Over 365 days	**145,122**	100,781
	705,658	718,583

14. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	4,000,000,000	40,000

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

	Number of shares	**Amount**	**Equivalent to amount**
		HK$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	1,634,016,389	16,341	14,755

15. CONTINGENT LIABILITIES

The Group is a defendant in a lawsuit brought during the year ended 31 December 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 announcement.

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

Save as disclosed above, as at 30 June 2020 and 31 December 2019, the Group did not have other significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEWS

As a leading constructor of large-scale module and offshore engineering in the PRC, the Group has been promoting business transformation in recent years, with its business focus shifting from traditional oilfield related services and equipment manufacturing to large-scale module construction of energy facilities and modular plant. Relying on its strong technical strength and professionalism, the Group has successfully participated in module construction projects of many international large-scale projects.

At the beginning of the year ended 31 December 2020 (the "Year"), facing the challenges brought by the novel coronavirus epidemic, the Group acted quickly. In accordance with national and local epidemic prevention and control requirements, the Group worked with customers and subcontracting partners to overcome the impact of unfavorable factors such as schedule delays and tight production resources due to the epidemic, and actively created construction conditions. The Group dynamically controlled the plan, resources and progress of the critical path of the project. Through close collaboration and promotion of on-site production, the Group endeavored to solve problems as soon as possible via communication, to ensure smooth and orderly construction of the project, and achieve timely, safe and high-quality delivery for the project.

Benefitting from the successful implementation of the current large projects in hand, the workload of the Penglai site significantly increased as compared with the corresponding period of last year. The Group's revenue and profit for the first half of the Year both recorded a significant increase as compared with the corresponding period of last year.

The project of core module construction of the GCGV natural gas chemical plant undertaken by the Penglai site had delivered five shipments of modules. The client of the GCGV project also specially granted the Penglai site Outstanding Construction Partner Award, recognizing its strong leadership and organizational capabilities, spirits of teamwork efforts and dedication to efficiently complete the project progress, and outstanding achievements in delivering several shipments of modules on time or even in advance.

The Arctic LNG 2 module construction project secured by Penglai site provides the construction a total of 6 modules including the core compressor and generator modules, with a single module weighing more than 10,000 tons. Affected by the European epidemic, some of the drawings that should be provided by the project owner are behind the original schedule, which has caused the overall progress of the Arctic LNG 2 module construction project to be lagging behind. With the efforts of all parties, Penglai site has fully prepared for the construction in all aspects to completing the schedules in the second half of the Year.

In the first half of the Year, workload in Zhuhai site was still insufficient, but the Group's Zhuhai site also won several large-scale project orders, including the construction of fifty sets of offshore wind power equipment for an European offshore wind farm project, and the fabrication of topside modules for an offshore floating production storage and offloading facility (FPSO), with a total contract value of approximately RMB2 billion. As the construction of related projects will mainly start in the second half of the Year, it is expected to significantly improve the workload shortage at the Zhuhai site.

Turnover

In the first half of the Year, the Group recorded turnover of approximately RMB1,296,344,000, representing an increase of RMB803,676,000 as compared with corresponding period last year, increasing by 163.13%. Among others, turnover from the fabrication of facilities and provision of integrated services for oil and gas industries amounted to RMB1,287,834,000 representing an increase of RMB845,305,000 as compared with corresponding period last year, increased by 191.02%, which was mainly due to the natural gas petrochemical modules construction project undertook by Penglai site was at the peak period and the workload was significantly increased as compared with corresponding period last year. Turnover from the fabrication of facilities and provision of integrated services for other energy and refining and chemical industries decreased by 98.84% or RMB44,113,000 as compared with corresponding period last year, which was mainly due to the fact that most of the projects undertaken in 2017 were implemented in the previous years and the Company actively cut down relevant business. Although the turnover from the provision of technical support services for shipbuilding industry increased by 57.50% or RMB2,835,000 as compared with corresponding period last year, the workload of such business of the Group remains relatively low due to the continually weakened ship-building market.

The table below sets out the analysis of turnover by business segment categories for the six months ended 30 June 2018, 2019 and 2020:

		For the six months ended 30 June					
	Product/service	**2020**		2019		2018	
		RMB'000	**Percentage of total turnover%**	RMB'000	Percentage of total turnover %	RMB'000	Percentage of total turnover %
1.	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**1,287,834**	**99**	442,529	90	441,517	62
2.	**Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries**	**516**	**0**	44,629	9	261,757	37
3.	**Provision of technical support services for shipbuilding industry**	**7,766**	**1**	4,931	1	6,289	1
4.	**Others**	**228**	**0**	579	0	1,564	0
	Total	**1,296,344**	**100**	492,668	100	711,127	100

Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB1,118,848,000, representing an increase of RMB714,090,000 or 176.42% when compared with that of the corresponding period of last year. It was mainly caused by the significant increase in workload over the corresponding period of last year. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB978,475,000, representing 87.45% of total cost of sales and services, and an increase of RMB639,563,000 or 188.71% from RMB338,912,000 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 in current reporting period has increased to approximately RMB140,373,000, representing an increase of RMB74,527,000 or 113.18% when compared with RMB65,846,000 of the corresponding period of last year.

Gross Profit

During the reporting period, the total amount of gross profit of the Group amounted to approximately RMB177,496,000, representing an increase of RMB89,586,000 or 101.91% when compared with RMB87,910,000 of the corresponding period of last year. The overall gross profit margin decreased to 13.69% from 17.84% of the corresponding period of last year. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The decrease in the overall gross profit margin was mainly due to the lower gross margin was recorded for some projects that were undertaken in the first half of the Year as compared with that of projects undertaken in the previous year.

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2018, 2019 and 2020:

	For the six months ended 30 June								
Product/service	**2020**			2019			20178		
	RMB ’000	**Gross profit margin %**	**Percentage of total gross profit**	RMB ’000	Gross profit margin %	Percentage of total gross profit	RMB ’000	Gross profit margin %	Percentage of total gross profit
1. Fabrication of facilities and provision of integrated services for oil and gas industries	**179,091**	**14**	**101**	78,319	18	89	156,285	35	85
2. Fabrication of facilities and provision of integrated services for other energy and refining and chemical industries	**(216)**	**(42)**	**0**	9,043	20	10	28,004	11	15
3. Provision of technical support services for shipbuilding industry	**963**	**12**	**0**	1,367	28	2	(786)	(12)	0
4. Others	**(2,342)**	**(1026)**	**(1)**	(819)	(141)	(1)	705	45	0
Total	**177,496**		**100**	87,910		100	184,208		100

Other income

Other income of the Group in the first half of 2020 amounted to approximately RMB16,281,000, mainly comprising interest income of approximately RMB5,388,000 and income from government grants of approximately RMB10,621,000.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group in aggregate in the first half of 2020 were approximately RMB110,225,000, representing a decreased of RMB2,685,000 when compared with that of the corresponding period of last year.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB19,432,00, which was mainly comprised of interest expenses from bank and other borrowings of approximately RMB16,119,000, bank charges and other costs.

Profit for the Period Attributable to Owners of the Company

In the first half year of 2020, profit attributable to owners of the Company amounted to approximately RMB25,363,000. Basic earnings per share attributable to owners of the Company was approximately RMB1.552 cents.

Liquidity and Financial Resources

As at 30 June 2020, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB1,007,565,000 (31 December 2019: RMB808,766,000). During the said period, net cash inflows from operating activities amounted to approximately RMB511,025,000, net cash outflows from investing activities amounted to approximately RMB130,930,000, and net cash outflows from financing activities amounted to approximately RMB199,402,000.

As at 30 June 2020, the Group had available undrawn banking facilities of approximately RMB629,128,000 (31 December 2019: RMB570,323,000), which can be used for bank loans, letters of credit, bank guarantees and other purposes.

Capital Structure

As at 30 June 2020, the share capital of the Company comprises 1,634,016,389 ordinary shares (31 December 2019: 1,634,016,389 ordinary shares).

As at 30 June 2020, net assets of the Group amounted to approximately RMB2,196,387,000 (31 December 2019: RMB2,150,993,000), which comprises non-current assets of approximately RMB1,719,452,000 (31 December 2019: RMB1,716,353,000), net current assets of approximately RMB1,039,526,000 (31 December 2019: RMB962,943,000) and non-current liabilities of approximately RMB562,591,000 (31 December 2019: RMB528,303,000).

Significant Investment

In the first half of the Year, according to the market situation and future development plan, the Company further improved the equipment and facilities of the Penglai site, and focused on increasing investment in Zhuhai site to improve the equipment and facilities conditions, these two sites have been approved to implement the investment of nearly RMB150 million to meet the needs of the undertaken projects in hand and potential projects.

Foreign Exchange Risk

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are denominated in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Euros would bring certain foreign exchange risk to the Group. The Group would minimise the amount of assets which were denominated in other currencies like USD and Euros, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering into business contracts.

Assets Pledged by the Group

As at 30 June 2020, approximately RMB145,517,000 (31 December 2019: RMB56,813,000) of the bank deposits and approximately RMB9,822,000 (2018: RMB9,507,000) 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.

At 30 June 2020, the carrying amount of fixed assets pledged as security for the Group's bank and other borrowings amounted to approximately RMB97,779,000 (31 December 2019: RMB105,686,000).

Contingent Liabilities

Save as disclosed in note 15 to the condensed consolidated financial statements in this announcement, as at 30 June 2020, the Group did not have other significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios of the Group as at 30 June 2020 and as at 31 December 2019 were as follows:

	30 June 2020 **RMB'000**	31 December 2019 RMB'000
Total bank and other borrowings	**491,263**	682,042
Total equity	**2,196,387**	2,150,993
Gearing ratio	**22.37%**	31.71%

The decrease in gearing ratio for the period resulted primarily from the reduction in bank and other borrowings. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

Employees and Remuneration Policy

As at 30 June 2020, the Group had total 3,348 employees (31 December 2019: 3,172), of which 1,460 (31 December 2019: 1,428) were management and technical staff, and 1,888 (31 December 2019: 1,641) were technicians.

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

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

2. FUTURE OUTLOOK

Currently, the total backlog value of the Group was approximately RMB6 billion. In the second half of the Year, construction sites of the Group will usher in the peak period for the construction of several major projects in parallel. With the implementation of the large projects and the significant increase in the expected workload, and having taken into consideration the needs of long-term development for sites, the Group has made an overall plan for construction sites and gradually promoted the site construction according to project demands to enhance its core construction capacity and steadily increase its construction output. Leveraging on strong management and technical strength, the Group will carefully plan the project implementation, closely arrange for relevant work and refine the assessment, to ensure the smooth development of projects.

The Group's Zhuhai site received several orders of large-scale projects this year, which further indicated that international wind power jacket structures and large and medium-sized fabrication of module and equipment as well as undersea structures and floating products shall be direction for its principal business.

On the basis of consolidating the strengths in the modular market, the Group will also actively explore the new energy market, and enhance the overall competitiveness through multiple measures, including comprehensively improve the project management and talent cultivation, strengthen the system construction of project control, enhance relevant detailed design capability and optimise the supply chain.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2020 and is of the opinion that such information comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise. Details of the Directors' biographies were set out in the Company's 2019 Annual Report and the respective announcements dated 8 January 2020 and 13 April 2020.

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

Hong Kong, 25 August 2020

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