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)

2022 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,166,518,000 a 42.88% decrease from the same period in last year.
- Gross profit was RMB15,673,000 a 94.05% decrease from the same period in last year.
- For the six months ended 30 June 2022, loss attributable to owners of the Company was RMB140,750,000.

  For the six months ended 30 June 2021, profit attributable to owners of the Company was RMB98,301,000.
- Basic loss per share was RMB8.371 cents for the six months ended 30 June 2022.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2022.

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 2022 of the Company and its subsidiaries (collectively referred to as the "**Group**"), together with the comparative figures for the corresponding period in 2021. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been reviewed by the audit committee of the Company (the "**Audit Committee**"), but was not reviewed by the Company's auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	**1,166,518**	2,042,142
Cost of sales and services		**(1,150,845)**	(1,778,637)
Gross profit		**15,673**	263,505
Other income	5	**17,856**	25,862
Administrative expenses		**(71,728)**	(173,325)
Reversal of impairment losses on trade and other receivables		**3,789**	34,475
(Impairment losses)/reversal of impairment losses on contract assets		**(4,335)**	504
Other operating expenses	6	**(63,495)**	(11,739)
(Loss)/profit from operations		**(102,240)**	139,282
Finance costs	7	**(16,327)**	(14,633)
(Loss)/profit before tax		**(118,567)**	124,649
Income tax expense	9	**(22,183)**	(26,348)
(Loss)/profit for the period attributable to owners of the Company	10	**(140,750)**	98,301
(Loss) /earnings per share	11	**RMB**	RMB
Basic		**(8.371) CENTS**	5.966 CENTS
Diluted		**N/A**	5.901 CENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(140,750)**	98,301
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**12,979**	(7,919)
Other comprehensive income for the period, net of tax	**(127,771)**	90,382
Total comprehensive income for the period attributable to owners of the Company	**(127,771)**	90,382

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Note	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**1,090,927**	1,179,349
Right-of-use assets		**419,393**	429,513
Goodwill		**52,444**	52,444
Intangible assets		**10,053**	11,046
Trade receivables, non-current	13	**2,910**	9,476
Deferred tax assets		**57,058**	54,762
		1,632,785	1,736,590
Current assets			
Inventories		**126,023**	174,945
Trade and bills receivables	13	**317,738**	419,536
Contract cost assets		**6,343**	7,136
Contract assets		**514,404**	488,216
Prepayments, deposits and other receivables		**90,193**	225,618
Derivative financial instruments		**19,160**	24,848
Current tax assets		**6**	6
Financial assets at fair value through profit or loss		**19,085**	-
Pledged bank deposits		**108,096**	134,310
Bank and cash balances		**702,786**	662,765
		1,903,834	2,137,380
Current liabilities			
Trade and bills payables	14	**691,826**	1,106,870
Contract liabilities		**129,812**	86,677
Accruals and other payables		**73,073**	111,133
Derivative financial instruments		**14,309**	-
Provisions		**133,350**	157,697
Bank borrowings		**282,300**	306,000
Deferred income		**6,824**	8,849
Lease liabilities		**9,918**	10,086
Current tax liabilities		**9,477**	9,735
		1,350,889	1,797,047
Net current assets		**552,945**	340,333
Total assets less current liabilities		**2,185,730**	2,076,923

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	Note	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		**17,876**	19,264
Lease liabilities		**38,723**	41,847
Bank borrowings		**407,650**	176,200
Deferred tax liabilities		**45,155**	34,145
		509,404	271,456
NET ASSETS		**1,676,326**	1,805,467
Capital and reserves			
Share capital	15	**15,150**	15,150
Reserves		**1,661,176**	1,790,317
TOTAL EQUITY		**1,676,326**	1,805,467

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 2021 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 2021.

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

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. 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 2022 but they do not have a material effect on the Group's financial statements. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

A number of new or amended standards are effective from 1 January 2022 and earlier application is permitted. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

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

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

3. SEGMENT INFORMATION (CONT'D)

	Oil and gas segment RMB'000 (Unaudited)	Other energy and refinery and chemical segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2022				
Revenue from external customers	**1,033,918**	**123,540**	**9,060**	**1,166,518**
Segment profit/(loss)	**139,919**	**(124,212)**	**(34)**	**15,673**
At 30 June 2022:				
Segment assets	**1,838,592**	**542,966**	**26,080**	**2,407,638**
Segment liabilities	**1,013,715**	**177,136**	**19,200**	**1,210,051**
Six months ended 30 June 2021				
Revenue from external customers	1,484,698	546,147	11,297	2,042,142
Segment profit/(loss)	309,570	(46,185)	120	263,505
At 31 December 2021:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,185,251	720,242	28,295	2,933,788
Segment liabilities	1,318,533	180,727	15,050	1,514,310

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	**15,673**	263,505
Unallocated amounts:		
Other income	**17,856**	25,862
Finance costs	**(16,327)**	(14,633)
Other corporate expenses	**(135,769)**	(150,085)
Consolidated (loss)/profit before tax for the period	**(118,567)**	124,649

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		Others		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	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	**28,321**	14,121	**955**	2,528	**-**	-	**29,276**	16,649
Goods and services transferred over time	**1,005,597**	1,470,577	**122,585**	543,619	**9,060**	11,297	**1,137,242**	2,025,493
Total	**1,033,918**	1,484,698	**123,540**	546,147	**9,060**	11,297	**1,166,518**	2,042,142

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade and bills receivables	**320,648**	429,012
Contract assets	**514,404**	488,216
Contract liabilities	**129,812**	86,677

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 RMB69,071,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2022.

5. OTHER INCOME

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net foreign exchange gains	**4,966**	-
Gain on disposals of fixed assets	**-**	324
Interest income on bank deposits	**3,085**	4,567
Government grants recognised	**5,927**	9,914
Compensation income	**546**	1,526
Reversal of other receivable previously written off	**3,000**	-
Fair value gains on derivative financial instruments	**-**	9,086
Sundry income	**332**	445
	17,856	25,862

6. OTHER OPERATING EXPENSES

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net foreign exchange losses	**-**	4,585
Fair value loss on derivative financial instruments	**16,162**	-
Allowance for inventories	**514**	1,381
Impairment loss on fixed assets	**46,477**	5,522
Others	**342**	251
	63,495	11,739

7. FINANCE COSTS

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank borrowings	**13,232**	11,437
Interest on lease liabilities	**1,221**	1,315
Others	**1,874**	1,881
	16,327	14,633

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
2020 Interim special dividend of HK$0.15 per ordinary share	**-**	204,930

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

No interim dividend was proposed for the six months ended 30 June 2022.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
Provision for the period	**14,080**	44,317
Over provision in prior periods	**(612)**	(827)
	13,468	43,490
Deferred tax	**8,715**	(17,142)
	22,183	26,348

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 2022 and 2021.

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

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

10. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance for inventories	**514**	1,381
Reversal of impairment losses on trade and other receivables	**(3,789)**	(34,475)
Loss/(gain) on disposals of fixed assets	**296**	(324)
Impairment losses/(reversal of impairment losses) on contract assets	**4,335**	(504)
Impairment losses on fixed assets	**46,477**	5,522
Directors' emoluments		
- As directors	**496**	180
- For management	**3,901**	6,237
- Share-based payments	**-**	1,008
	4,397	7,425

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**(140,750)**	98,301
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	**1,681,306,389**	1,647,650,864
Effect of dilutive potential ordinary shares arising from share options	**N/A**	18,224,805
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	**N/A**	1,665,875,669

As the exercise of the Group's outstanding share options for the six-month period ended 30 June 2022 would be anti-dilutive, no diluted loss per share was presented for the six-month period ended 30 June 2022.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired fixed assets of approximately RMB23,185,000 (six months ended 30 June 2021: RMB42,046,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**433,997**	548,848
Allowance for doubtful debts	**(114,375)**	(120,146)
	319,622	428,702
Bills receivables	**1,026**	310
	320,648	429,012
Classified as:		
Trade receivables, non-current	**2,910**	9,476
Trade and bills receivables, current	**317,738**	419,536
	320,648	429,012

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Billed:		
0 to 30 days	**156,091**	249,385
31 to 90 days	**123,621**	83,267
91 to 365 days	**59,084**	25,725
Over 365 days	**42,623**	72,695
	381,419	431,072
Unbilled	**52,578**	117,776
	433,997	548,848

14. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	**659,298**	1,064,500
Bills payables	**32,528**	42,370
	691,826	1,106,870

14. TRADE AND BILLS PAYABLES (CONT'D)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 30 days	**466,816**	803,232
31 to 90 days	**47,328**	135,846
91 to 365 days	**80,954**	66,984
Over 365 days	**64,200**	58,438
	659,298	1,064,500

15. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2021 (Audited) and 30 June 2022 (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 2021 (Audited)	1,634,016,389	16,341	14,755
Exercise of share options	47,290,000	472	395
At 31 December 2021 (Audited) and 30 June 2022 (Unaudited)	1,681,306,389	16,813	15,150

16. CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEWS

Entering the year of 2022, the global economy still faces multiple challenges, including the COVID-19 pandemic and the fragility of the global economic recovery in the midst of global changes. The war between Russia and Ukraine at the beginning of the year, as well as the sanctions imposed by the West on Russia, has profoundly affected the demand and supply of international energy. Oil and gas prices continue to fluctuate at high levels and drag down the global economic recovery. The change of situation caused by the foregoing has also affected to a certain extent some projects the Group is executing and bidding for, thus bringing uncertainties.

Several major projects undertaken by the Group in previous years have been completed and delivered gradually. In the two and a half years since the construction of the core modules for the production line of Arctic LNG2 project started at the end of 2019, all teams have worked together to carry out work safely and achieve the project objectives. Despite the fact that the Group had been facing the largest, most complex and most challenging single project in the history of the Group, the Penglai site of the Group overcame the tight project schedule, high standards, strict requirements and the impact of the COVID-19 pandemic in the past two years, creating 25 million safe working hours and winning high recognition from customers for its excellent safety, quality and commissioning performance. Due to the influence of current factors, the final delivery of the project has also been affected. Some products are still temporarily stored at the site after completion, which may lead to a delay in recovering part balance of the project. The Group will also actively maintain negotiation with customers to promote the progress of the project.

In early July, the Group delivered a floating production, storage and offloading unit (FPSO) outer turret mooring system project operating in West Africa. The project is the largest single point mooring project undertaken by the Group to date and has been under construction for 18 months since the start of construction in late December 2020. During the construction period, the project team and the customer worked together to overcome problems such as the COVID-19 pandemic, design and materials, and constantly optimized the construction scheme to ensure the project was carried out on schedule. The successful delivery of this project marks an important leap in the Group’s construction capability of large complex single point mooring projects, and deepens the good cooperation relationship with customers, laying a solid foundation for the subsequent undertaking of international large complex high standard single point mooring projects.

Through the implementation of various large-scale construction projects in recent years, the Penglai site of the Group has achieved rapid development in modular construction, offshore wind power and other businesses, accumulated rich experience in international project construction, and formed a certain construction scale, and its construction capability is also well recognized by customers.

In 2020, the Group’s Zhuhai site undertook a number of projects, including the construction of offshore wind power equipment in Europe, the construction of topside modules for FPSO and the manufacturing of subsea oil and gas production equipment. Due to the lack of understanding of quality requirements and construction difficulty as well as various problems such as production organization and management, the project progress was materially behind schedule at the early stage, resulting in a significant increase in costs incurred for crashing the schedule, and delay in the project delivery, leading to a large loss for Zhuhai site, which had material negative impact on business performance in 2021 and the first half of 2022. The Group adjusted the management team of the Company in July 2021. Steered by the Board, the new management team acted quickly and took active measures to solve the problems faced by Zhuhai site in project execution, and adjusted and optimized the management architecture and management architecture for Zhuhai site in the second half of 2021. Meanwhile, the Group actively communicated with customers in the relevant work, improved the construction efficiency, and so far has basically completed the project construction by organizing resources and speeding up the construction progress. The subsequent construction work of the European offshore wind power jacket project was transferred to the more capable Penglai site. The subsequent deliveries were made on time according to the schedule adjusted, and the last two ships were delivered in August 2022, which avoided further losses, gained customers' trust and rebuilt customers' confidence, laying a solid foundation for the further development of the offshore wind power business of the Group in the future.

Compared with the same period last year, the Group’s construction site workload in the first half of this year has been significantly reduced, and there were insufficient new orders undertaken. Affected by the world situation, some of the large projects that the Group had bid for were suddenly suspended, which imposed pressure and challenges to the Group’s future operation.

Revenue

As compared with the corresponding period of last year, the Group's construction sites workload decreased significantly. In the first half of 2022, the Group recorded a revenue of approximately RMB1,166,518,000, representing a decrease of RMB875,624 ,000 or 42.88% as compared with corresponding period of last year. Among others, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries decreased by RMB450,780 ,000 or 30.36% as compared with the corresponding period last year. Revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries decreased by 77.38% or RMB422,607,000 as compared with the corresponding period last year. Other revenue mainly derived from the provision of technical support services for shipbuilding industry. The revenue from such business decreased by 19.80% or RMB2,237,000 as compared with the corresponding period last year.

The table below sets out the analysis of revenue by business segment categories for the six months ended 30 June 2020, 2021 and 2022:

		For the six months ended 30 June					
	Product/service	**2022**		2021		2020	
		RMB'000	**Percentage of total revenue%**	RMB'000	Percentage of total revenue %	RMB'000	Percentage of total revenue %
1.	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**1,033,918**	**89**	1,484,698	73	1,287,834	99
2.	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**123,540**	**10**	546,147	26	516	0
3.	**Others**	**9,060**	**1**	11,297	1	7,994	1
	Total	**1,166,518**	**100**	2,042,142	100	1,296,344	100

Cost of Sales and Service

During the reporting period, cost of sales and services of the Group amounted to approximately RMB1,150,845,000, representing a decrease of approximately RMB627,792,000 or 35.30% when compared with that of the corresponding period of last year. It was mainly caused by the significant decrease in revenue of the Group compared with 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 RMB996,518,000 representing approximately 86.59% of total cost of sales and services, and a decrease of approximately RMB638,527,000 or 39.05% from approximately RMB1,635,045,000 of the corresponding period of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services also varies accordingly. Manufacturing overheads in the current reporting period is approximately RMB154,327,000, representing an increase of approximately RMB10,735,000 or 7.48% when compared with approximately RMB143,592,000 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 RMB15,673,000, representing a decrease of approximately RMB247,832,000 or 94.05% when compared with approximately RMB263,505,000 of the corresponding period of last year. The overall gross profit margin decreased to 1.34% from 12.90% 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 substantial decrease in the overall gross profit margin was mainly due to that some projects carried out at the Zhuhai site were behind schedule, costs increased, and the liquidated damages for delayed delivery of a contract increased compared to the original estimated amount, led to significant losses. In addition, the workload of the Group's construction sites in the first half of the year was significantly reduced, resulting in a significant decrease in the recognized contract revenue, while the indirect manufacturing costs of the sites were not reduced in the same proportion.

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2020, 2021 and 2022:

	For the six months ended 30 June								
Product/service	**2022**			2021			2019		
	RMB ’000	**Gross profit marg in %**	**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	**139,919**	**14**	**893**	309,570	21	117	179,091	14	101
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	**(124,212)**	**(101)**	**(793)**	(46,185)	(8)	(18)	(216)	(42)	0
3. Others	**(34)**	**0**	**0**	120	1	1	(1,379)	(17)	(1)
Total	**15,673**		**100**	263,505		100	177,496		100

Other income

Other income of the Group for the first half of 2022 amounted to approximately RMB17,856,000, mainly comprising interest income, exchange gain and income from government grants.

Administrative and Other Operating Expenses

Administrative and other operating expenses in aggregate decreased by approximately 26.93% or RMB49,841,000 compared with the corresponding period last year to approximately RMB135,223,000, primarily resulting from the significant decrease in share based payment expenses recognised in the period and staff remuneration set off by increase in impairment loss on fixed assets.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB16,327,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB13,232,000, bank charges and other costs of approximately RMB3,095,000.

Loss for the Period Attributable to Owners of the Company

In the first half year of 2022, loss attributable to owners of the Company amounted to approximately RMB140,750,000, which represented a decrease from profit recorded in the corresponding period in last year by approximately 243% or RMB239,051,000. Basic loss per share attributable to owners of the Company was approximately RMB8.371 cents.

Liquidity and Financial Resources

As at 30 June 2022, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB705,024,000 (31 December 2021: RMB666,970,000). During the said period, net cash outflows from operating activities amounted to approximately RMB166,976,000 net cash outflows from investing activities amounted to approximately RMB9,690,000, and net cash inflows from financing activities amounted to approximately RMB202,748,000.

As at 30 June 2022, the Group had available undrawn banking facilities of approximately RMB60,000,000 (31 December 2021: RMB397,830,000), which consists of bank loans, letters of credit, etc, but exclude bank guarantees.

As at 30 June 2022, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB861,736,000 (31 December 2021: RMB883,331,000).

Capital Structure

As at 30 June 2022, the share capital of the Company comprises 1,681,306,389 ordinary shares (31 December 2021: 1,681,306,389 ordinary shares).

As at 30 June 2022, net assets of the Group amounted to approximately RMB1,676,326,000 (31 December 2021: RMB1,805,467,000), which comprises non-current assets of approximately RMB1,632,785,000(31 December 2021: RMB1,736,590,000), net current assets of approximately RMB552,945,000(31 December 2021: RMB340,333,000) and non-current liabilities of approximately RMB509,404,000 (31 December 2021: RMB271,456,000).

Significant Investment

During the half year ended 30 June 2022, the Group did not have any significant investment.

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 2022, approximately RMB108,096,000 (31 December 2021: RMB134,310,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Capital Management

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

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

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

The gearing ratios of the Group as at 30 June 2022 and as at 31 December 2021 were as follows:

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Total bank borrowings	**689,950**	482,200
Lease liabilities	**48,641**	51,933
Total equity	**1,676,326**	1,805,467
Gearing ratio	**44.06%**	29.58%

The increase in gearing ratio for the period resulted mainly from the decrease in total equity caused by increase in total bank borrowings and loss incurred during the period. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

Employees and Remuneration Policy

As at 30 June 2022, the Group had total 3,006 employees (31 December 2021: 3,512), of which 1,291 (31 December 2021: 1,475) were management and technical staff, and 1,715 (31 December 2021: 2,037) were technicians.

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

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

Progress on the Issue of the Qualified Opinion in the 2021 Auditor's Report

The auditor of the Company issued a qualified opinion in the independent auditor's report for the year 2021 in relation to the estimated reserve for liquidated damages of approximately RMB65,000,000 provided by the management of the Group as at 31 December 2021 due to the delayed delivery of a contract, taking into account the fact that the delay was caused by a number of reasons, and the Group was seeking compensation from the customer for additional work related to the contract.

The management of the Group conducted several rounds of negotiations with the customer on the compensation for the delayed delivery of the contract and the compensation matters for related additional work requirements and reached an agreement in August 2022. The compensation for delayed delivery after offsetting the amount of the compensation for additional work requirements represented an increase of approximately RMB44,000,000 compared to the original estimated amount. These changes have been reflected in this interim financial information for the six months ended 30 June 2022.

2. FUTURE OUTLOOK

The Russia-Ukraine war and international geopolitical turmoil, together with the epidemic prevention and control measures which lasted for more than two years, have brought great volatility and uncertainty risks to the Group's business, especially its market development. However, it is important to note that there are both challenges and opportunities. Due to the energy shortage in Europe and the high oil price in the international market, the investment of oil and gas development projects in many regions including North America, South America and Africa has a strong impetus. A number of large oil and gas development projects, LNG projects and corresponding oil and gas chemical projects are being implemented and prepared. Due to the shortage of labor resources in most regions, the modular construction method will be adopted as much as possible to ensure the construction period, and, hence, the large modular manufacturing market will see another demand peak.

In view of this, the Group will take its market development work as a top priority, focusing on the Penglai Site business, concentrating resources and continuously tracking opportunities in energy and chemical construction projects worldwide, especially in North America, Europe and other regions. In order to meet the huge challenge of climate change that mankind is facing, major countries around the world are formulating strategies, measures and action plans, and clean energy is becoming a new economic growth point in the future. Global offshore wind capacity in 2021 tripled from the previous year, the largest increase on record, and it is expected to continue to maintain strong growth, particularly in Europe and Asia, where large offshore wind projects are in the pipeline. The Group has completed the manufacturing of European large-scale offshore wind power project, and will further actively expand in the field of offshore wind power and actively develop the strategic business of offshore wind power construction.

Through the Group’s performance and experience in implementing large-scale projects in recent years, the Penglai site of the Group has been highly recognized by customers and gained a leading edge in large-scale module construction industry. In order to maintain the competitive strength of the site and meet the higher demand of customers, the construction sites and facilities of the Group will be further renovated and updated as appropriate. The Group will also deploy large gantry cranes to improve the site capacity and construction efficiency of large module assembly and wind power equipment assembly and all kinds of large hoisting, in order to better cope with the construction needs of large module and the offshore wind power equipment, and improve the lifting efficiency and space utilization. These measures and improvements will also expect to save costs compared with the current operation mode, and greatly reduce the dust pollution of the site, which is more in line with the environmental protection requirements of the government and customers for site construction.

For the Zhuhai site, the Group will actively explore the small and medium-sized module business which is suitable for its construction capacity in the future, and further explore various possible ways to improve the situation of its unprofitable assets. In addition, for other human and labor-oriented marine technical support services and other businesses, the Group will also study reasonable shrinkage and business transformation.

The Group will further improve the group management structure, optimize and deepen operation, organize efforts to coordinate the design, procurement, construction and other processes, propose improvement measures and programs on the challenges in its work, and promote the optimization of resource allocation, control costs and expenses. In view of the uncertainties in the future market and business expectations, the Group will further strengthen its capital management and study various appropriate measures and ways to raise and guarantee the capital reserves of the Group, so as to meet the future capital needs.

Depending on the needs of future business development, the Group will also actively study business restructuring and seek new business opportunities, explore new business through various ways, including acquisition and cooperation, and study variety opportunities for business transformation.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company had adopted the Corporate Governance Code (the "**Corporate Governance Code**") 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 Corporate Governance Codes set out in Appendix 14 of the Listing Rules for the period ended 30 June 2022, save for the deviations from the code provisions as follows:

Under Code Provision D.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 two board members, namely Mr. Cao Yunsheng 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. Directors also received reports from the management on the operation and financial position of the Company at relevant board meetings.

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 and one non-executive Director. 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 2022 and is of the opinion that such information complies with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER COMPLIANCE

Mr. Su Yang and Mr. Qi Daqing tendered their resignation as independent non-executive directors of the Company with effect from 26 April 2022 and 27 April 2022 respectively.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and pursuant to Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Following the resignation of Mr. Su and Mr. Qi, the Company has only two independent non-executive directors, which is below the minimum number as required under Rules 3.10(1) and 3.10A of the Listing Rules.

Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and the audit committee must comprise a minimum of three members. Rule 3.10(2) of the Listing Rules further provides at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Currently the independent non-executive directors of the Company do not have appropriate professional qualifications or accounting or related financial management expertise.

As disclosed in the announcement of the Company dated 2 June 2022, Mr. Cheung Ngar Tat Eddie and Ms. Choy So Yuk were appointed as independent non-executive directors and members of the board committees of the Company. After the appointment, the number of independent non-executive directors has restored to a level that meets with the requirements under Rules 3.10 and 3.10A of the Listing Rules. Subsequent to the appointment of Mr. Cheung as chairman of the audit committee, the Board believes the Company has complied with the requirement under Rule 3.21 of the Listing Rules.

Details of the Directors' biographies were set out in the Company's 2021 Annual Report and the announcement dated 2 June 2022.

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

Hong Kong, 28 August 2022

As at the date of this announcement, the executive directors are Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng and Mr. Liu Yunian, the non-executive director is Mr. Han Guimao and the independent non-executive directors are Ms. Choy So Yuk, Mr. Tam Kin Yip and Mr. Cheung Ngar Tat Eddie.