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)

2023 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue was RMB823,527,000 a 29.40% decrease from the same period in last year.
- Gross profit was RMB194,337,000 a 1139.95% increase from the same period in last year.
- For the six months ended 30 June 2023, profit attributable to owners of the Company was RMB68,844,000;

  For the six months ended 30 June 2022, loss attributable to owners of the Company was RMB140,750,000.
- Basic earnings per share was RMB3.474 cents for the six months ended 30 June 2023.
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2023.

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 2023 of the Company and its subsidiaries (collectively referred to as the "**Group**"), together with the comparative figures for the corresponding period in 2022. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 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 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	**823,527**	1,166,518
Cost of sales and services		**(629,190)**	(1,150,845)
Gross profit		**194,337**	15,673
Other income	5	**16,359**	17,856
Administrative expenses		**(70,835)**	(71,728)
(Impairment losses)/Reversal of impairment losses on trade and other receivables		**(1,291)**	3,789
Impairment losses on contract asset		**(293)**	(4,335)
Other operating expenses	6	**(33,767)**	(63,495)
Profit/(Loss) from operations		**104,510**	(102,240)
Finance costs	7	**(10,995)**	(16,327)
Profit/(Loss) before tax		**93,515**	(118,567)
Income tax expense	9	**(24,671)**	(22,183)
Profit/(Loss) for the period attributable to owners of the Company	10	**68,844**	(140,750)
Earnings/(Loss) per share	11	**RMB**	RMB
Basic		**3.474 CENTS**	(8.371) CENTS
Diluted		**3.474 CENTS**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	**68,844**	(140,750)
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**13,287**	12,979
Other comprehensive income for the period, net of tax	**13,287**	12,979
Total comprehensive income/(expense) for the period attributable to owners of the Company	**82,131**	(127,771)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**974,662**	1,036,027
Right-of-use assets		**387,238**	397,715
Goodwill		**52,444**	52,444
Intangible assets		**8,196**	9,118
Trade receivables, non-current	13	**3,589**	3,281
Deferred tax assets		**58,868**	59,319
		1,484,997	1,557,904
Current assets			
Inventories		**113,765**	122,152
Trade and bills receivables	13	**302,389**	264,023
Contract cost assets		**12,782**	10,091
Contract assets		**248,146**	365,608
Prepayments, deposits and other receivables		**126,345**	83,513
Derivative financial instruments		**-**	4,015
Current tax assets		**33**	6,426
Financial assets at fair value through profit or loss		**59,300**	57,454
Pledged bank deposits		**101,057**	97,799
Bank and cash balances		**725,737**	610,477
		1,689,554	1,621,558
Current liabilities			
Trade and bills payables	14	**493,606**	495,283
Contract liabilities		**164,082**	128,220
Accruals and other payables		**58,386**	100,510
Derivative financial instruments		**27,835**	13,801
Provisions		**67,553**	131,917
Bank borrowings		**176,100**	205,000
Deferred income		**6,824**	6,824
Lease liabilities		**7,222**	8,399
Current tax liabilities		**9,684**	-
		1,011,292	1,089,954
Net current assets		**678,262**	531,604
Total assets less current liabilities		**2,163,259**	2,089,508

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	Note	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Deferred income		**11,052**	14,464
Lease liabilities		**19,315**	22,558
Bank borrowings		**251,750**	259,800
Deferred tax liabilities		**51,764**	45,439
		333,881	342,261
NET ASSETS		**1,829,378**	1,747,247
Capital and reserves			
Share capital	15	**17,783**	17,783
Reserves		**1,811,595**	1,729,464
TOTAL EQUITY		**1,829,378**	1,747,247

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These condensed consolidated financial statements should be read in conjunction with the 2022 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 2022.

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 2022. 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 2023 but they do not have a material effect on the Group’s condensed consolidated financial statements.

A number of new standards and amendments are effective for annual periods beginning after from 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Fabrication of facilities and provision of integrated services for oil and gas industries (“**oil and gas segment**”).
- Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries (“**new energy and refinery and chemical segment**”).

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

The Group’s other operating segment mainly represents provision of undersea maintenance services 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 this other operating segments is included in the ‘others’ column.

3. SEGMENT INFORMATION (CONT'D)

	Oil and gas segment RMB'000 (Unaudited)	New energy and refinery and chemical segment RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2023				
Revenue from external customers	**677,016**	**141,016**	**5,495**	**823,527**
Segment profit/(loss)	**111,536**	**83,062**	**(261)**	**194,337**
At 30 June 2023:				
Segment assets	**1,985,576**	**97,733**	**85,609**	**2,168,918**
Segment liabilities	**750,566**	**52,117**	**7,912**	**810,595**
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 31 December 2022:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	2,056,000	202,022	24,388	2,282,410
Segment liabilities	758,365	111,607	16,915	886,887

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Reconciliations of segment profit:		
Total profit of reportable segments	**194,337**	15,673
Unallocated amounts:		
Other income	**16,359**	17,856
Finance costs	**(10,995)**	(16,327)
Other corporate expenses	**(106,186)**	(135,769)
Consolidated profit / (loss) before tax for the period	**93,515**	(118,567)

4. Revenue

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

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

For the six months ended 30 June (unaudited)	Oil and gas segment		New energy and refinery and chemical segment		Others		Total	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	**23,041**	28,321	**-**	955	**673**	-	**23,714**	29,276
Goods and services transferred over time	**653,975**	1,005,597	**141,016**	122,585	**4,822**	9,060	**799,813**	1,137,242
Total	**677,016**	1,033,918	**141,016**	123,540	**5,495**	9,060	**823,527**	1,166,518

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade and bills receivables	**305,978**	267,304
Contract assets	**248,146**	365,608
Contract liabilities	**164,082**	128,220

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 RMB120,523,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2023.

5. OTHER INCOME

	Six months ended 30 June	
	2023	**2022**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gains	**3,526**	4,966
Gain on disposals of property, plant and equipment	**33**	-
Interest income on bank deposits	**3,886**	3,085
Government grants recognised	**4,394**	5,927
Compensation income	**160**	546
Reversal of other receivable previously written off	**-**	3,000
Reversal of impairment losses on inventories	**3,273**	-
Sundry income	**1,087**	332
	16,359	17,856

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net losses on derivative financial instruments (note(a))	**29,773**	16,162
Impairment losses on inventories	**-**	514
Impairment losses on property, plant and equipment (note(b))	**3,926**	46,477
Others	**68**	342
	33,767	63,495

Notes:

(a) The net loss of derivative financial instruments mainly comes from the foreign exchange forward contracts entered into between the Group and banks. As the individual income contracts of the company are settled in United States Dollars or Euros, the company entered into these forward contracts to hedge the exchange rate risk caused by the exchange rate fluctuation between these foreign currencies and RMB.

(b) At 30 June 2023, before impairment testing, the Group has property, plant and equipment with carrying amount of approximately RMB326,374,000 (at 30 June 2022: RMB357,455,000) located and used in the Group's Zhuhai fabrication plant which is regarded as the cash generating unit of the related property, plant and equipment (the "**CGU**"). The Group has assessed there is an impairment indication of the CGU and estimates the recoverable amount of the CGU on the basis of their value in use using discounted cash flow method. The rate used to discount the forecast cash flows is 13.85% (for the six months ended 30 June 2022: 13.00%). For the six months ended 30 June 2023, an impairment loss of approximately RMB3,926,000 (for the six months ended 30 June 2022: RMB46,477,000) was recognised on fixed assets of the CGU.

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**10,084**	13,232
Interest on lease liabilities	**721**	1,221
Others	**190**	1,874
	10,995	16,327

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2023 and 2022.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – The People's Republic of China (the "**PRC**") Enterprise Income Tax		
Provision for the period	**17,895**	14,080
Over provision in prior periods	**-**	(612)
	17,895	13,468
Deferred tax	**6,776**	8,715
	24,671	22,183

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 2023 and 2022.

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

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

10. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Reversal of impairment losses)/Impairment losses on inventories	**(3,273)**	514
(Gain)/Loss on disposals of property, plant and equipment	**(33)**	296
Directors' emoluments		
- As directors	**539**	496
- For management	**2,136**	3,901
	2,675	4,397

11. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings /(Loss)		
Profit/(Loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**68,844**	(140,750)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,981,598,389**	1,681,306,389
Effect of dilutive potential ordinary shares arising from share options	**-**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,981,598,389**	N/A

As the exercise of the Group's outstanding share options for the six months 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 2023, the Group acquired property, plant and equipment of approximately RMB3,817,000 (six months ended 30 June 2022: RMB23,185,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**392,920**	362,255
Allowance for doubtful debts	**(96,239)**	(94,951)
	296,681	267,304
Bills receivables	**9,297**	-
	305,978	267,304
Classified as:		
Trade receivables, non-current	**3,589**	3,281
Trade and bills receivables, current	**302,389**	264,023
	305,978	267,304

The Group's trading terms with customers are mainly on credit. The credit terms other than retention 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 aging analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Billed:		
0 to 30 days	**126,548**	192,218
31 to 90 days	**59,913**	37,414
91 to 365 days	**46,730**	13,790
Over 365 days	**66,498**	73,009
	299,689	316,431
Unbilled	**93,231**	45,824
	392,920	362,255

14. TRADE AND BILLS PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	**447,458**	467,727
Bills payables	**46,148**	27,556
	493,606	495,283

14. TRADE AND BILLS PAYABLES (CONT'D)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0 to 30 days	**268,465**	153,648
31 to 90 days	**36,511**	68,314
91 to 365 days	**46,442**	152,886
Over 365 days	**96,040**	92,879
	447,458	467,727

15. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2022 (Audited) and 30 June 2023 (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 2022 (Audited)	1,681,306,389	16,813	15,150
Placement of shares	300,000,000	3,000	2,630
Exercise of share options	292,000	3	3
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	1,981,598,389	19,816	17,783

16. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEWS

Since last year and up to the first half of this year, the Group has taken various management measures, including optimizing and streamlining the personnel and management structure, promoting independent technological innovation and research on processes, and promoting mechanism reform in various aspects and steps such as project material procurement, waste disposal, residual material management and usage of equipment. The management personnel at all levels overcame difficulties and pressure, and all staff were motivated to participate in the implementation of measures. Based on extensive research and specific analysis, the Group improved procedure, carried out digital and refined production management, enhanced collaborative office capabilities of various production departments, improved work efficiency, reduced production cost, improved profitability of projects, and made significant progress and achievements.

Since the beginning of this year, the country has relaxed its control measures on the epidemic, and the number of infected persons increased sharply in a short period. Besides, the implementation of projects also faced huge challenges brought by tight schedule and construction difficulties of certain projects, supply of materials and design modification and other factors. The Group overcame great difficulties, precisely organized manpower and various resources, optimized implementation plan of projects, accelerated construction progress, delivered various projects under construction in advance or on time, guaranteed the safety and quality control of those projects, and gained praises from its customers.

At present, it's expected that the favorable market condition will create potential opportunities in international offshore engineering market. Nevertheless, affected by geopolitical tensions, some projects of the Group are still subject to many uncertainties. Meanwhile, the Group is also facing increasingly intense competition in the market.

Since this year, the Group has been making efforts to strengthen its market development. The marketing and business team of the Group formulated and implemented proper marketing strategies, closely coordinated to strive for opportunities, actively promoted in an innovative way, kept abreast with customer demand, carried out tough negotiation with customers and achieved outstanding performance. Up to the date of this report, the Group has been newly awarded contracts amounting to approximately RMB3 billion. These contracts are expected to be successively accomplished in this year and the next year.

Revenue

Compared with the corresponding period of last year, the Group's workload of the construction sites decreased significantly. In the first half of 2023, the Group recorded a revenue of approximately RMB823,527,000, representing a decrease of RMB342,991,000 or 29.40% as compared with the corresponding period of last year. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and gas industries decreased by RMB356,902,000 or 34.52%, revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries increased by RMB17,476,000 or 14.15%, and other revenue decreased by RMB3,565,000 or 39.35% as compared with the corresponding period of last year.

The table below sets out the analysis of revenue by business segment categories for the six months ended 30 June 2021, 2022 and 2023:

		For the six months ended 30 June					
	Product/service	**2023**		2022		2021	
		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**	**677,016**	**82**	1,033,918	89	1,484,698	73
2.	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**141,016**	**17**	123,540	10	546,147	26
3.	**Others**	**5,495**	**1**	9,060	1	11,297	1
	Total	**823,527**	**100**	1,166,518	100	2,042,142	100

Cost of Sales and Services

During the reporting period, cost of sales and services of the Group amounted to approximately RMB629,190,000, representing a decrease of approximately RMB521,655,000 or 45.33% compared with that of the corresponding period of last year, mainly due to the significant decrease in revenue of the Group compared with the corresponding period of last year and the improvement of project management as well as strict cost control. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB517,948,000 representing approximately 82.32% of total cost of sales and services, and a decrease of approximately RMB478,570,000 or 48.02% from approximately RMB996,518,000 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 RMB111,242,000, representing a decrease of approximately RMB43,085,000 or 27.92% when compared with approximately RMB154,327,000 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 RMB194,337,000, representing an increase of approximately RMB178,664,000 or 1,139.95% from approximately RMB15,673,000 in the corresponding period of last year. The overall gross profit margin increased to 23.60% from 1.34% 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 increase in the overall gross profit margin was mainly due to that the Group's Zhuhai site incurred large losses in the first half of last year due to some large-scale projects undertaken in the past, while the loss in the first half of this year decreased significantly. In addition, the Group improved project management and strictly controlled costs. In the first half of this year, the gross profit margin of projects increased significantly, and project revenue increased.

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2021, 2022 and 2023:

Product/service	For the six months ended 30 June								
	2023			2022			2021		
	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	**111,536**	**16**	**57**	139,919	14	893	309,570	21	117
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	**83,062**	**59**	**43**	(124,212)	(101)	(793)	(46,185)	(8)	(18)
3. Others	**(261)**	**(5)**	**0**	(34)	0	0	120	1	1
Total	**194,337**		**100**	15,673		100	263,505		100

Other Income

Other income of the Group for the first half of 2023 amounted to approximately RMB16,359,000, 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 22.64% or RMB30,621,000 compared with the corresponding period last year to approximately RMB104,602,000, Among them, the administrative expenses decreased by RMB893,000 and other operating expenses decreased by RMB29,728,000 as compared with the corresponding period of last year, mainly due to that the impairment loss of assets recognized in this period was significantly decreased compared with the corresponding period of last year.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB10,995,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB10,084,000, interest on lease liabilities and other costs of approximately RMB911,000.

Profit for the Period Attributable to Owners of the Company

In the first half year of 2023, profit attributable to owners of the Company amounted to approximately RMB68,844,000, basic earnings per share was approximately RMB3.474 cents.

Liquidity and Financial Resources

As at 30 June 2023, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB729,701,000 (31 December 2022: RMB610,477,000). During the said period, net cash inflows from operating activities amounted to approximately RMB177,996,000, net cash outflows from investing activities amounted to approximately RMB28,788,000, and net cash outflows from financing activities amounted to approximately RMB41,402,000.

As at 30 June 2023, the Group had available undrawn banking facilities of approximately RMB407,702,000 (31 December 2022: RMB385,140,000), which consists of bank loans, letters of credit, etc, but exclude bank guarantees.

As at 30 June 2023, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB326,768,000 (31 December 2022: RMB419,276,000).

Capital Structure

As at 30 June 2023, the share capital of the Company comprises 1,981,598,389 ordinary shares (31 December 2022: 1,981,598,389 ordinary shares).

As at 30 June 2023, the net assets of the Group amounted to approximately RMB1,829,378,000 (31 December 2022: RMB1,747,247,000), which comprises non-current assets of approximately RMB1,484,997,000 (31 December 2022: RMB1,557,904,000), net current assets of approximately RMB678,262,000 (31 December 2022: RMB531,604,000) and non-current liabilities of approximately RMB333,881,000 (31 December 2022: RMB342,261,000).

Significant Investment

During the first half year ended 30 June 2023, 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 2023, approximately RMB101,057,000 (31 December 2022: RMB97,799,000) 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 2023, 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 2023 and as at 31 December 2022 were as follows:

	30 June 2023 **RMB'000**	31 December 2022 RMB'000
Total bank borrowings	**427,850**	464,800
Lease liabilities	**26,537**	30,957
Total equity	**1,829,378**	1,747,247
Gearing ratio	**24.84%**	28.37%

The decrease in gearing ratio in the reporting period was mainly due to the increase in total equity as a result of profit generated in the first half of 2023 and the decrease in total bank loans and lease liabilities. 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 2023, the Group had total 2,318 employees (31 December 2022: 2,739), of which 988 (31 December 2022: 1,204) were management and technical staff, and 1,330 (31 December 2022: 1,535) were technicians.

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

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

2. FUTURE OUTLOOK

In order to achieve the goal of long-term growth, the Group will keep an eye on the global energy market pattern, make every effort to promote and implement its major strategy of transformation from traditional manufacture to modularized EPC, study and promote new energy businesses including offshore wind power, create new business growth point, and develop comprehensive energy service capabilities in multiple systems and fields.

The Group will promote the establishment of a company management mode with project management as the core, accelerate its transformation from traditional management to digital management, continuously carry out strategic innovation, and improve strategic execution capabilities of the team. The Group will introduce new and competitive resources to carry out reformation on processes, equipment improvement, technological innovation and efficiency promotion.

In order to follow the development trends of various projects in the future and capture the valued development opportunities in the market, the Company will focus on its core market and products, enhance its core competitiveness, and actively explore market. In the second half of the year, the Group reorganized its market development team, established dedicated teams for the markets in different areas in the world, took advantage of various forms and channels to deeply study, explore and identify potential customer demand in the future, and carried out effective market development activities. Moreover, the Group will also establish a dedicated design team, develop detailed design business, promote the value of construction business, enhance competitiveness of the Company, and improve the general contracting ability of the business.

The Group will upgrade and renew Penglai construction site and facilities to improve the efficiency and capacity of various large module final assembly and wind power equipment assembly, in order to better cope with the construction needs of large module and offshore wind power equipment. Upon the completion of site renovation, the Group can save costs as compared with current operation mode, substantially reduce the dust pollution of the site, and better comply with environmental protection requirements on site construction.

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

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023.

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 2023.

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 Code for the period ended 30 June 2023, 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 Mr. Cao Yunsheng with monthly internal financial statements, instead of all board members, because he is 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 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.

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 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 2023 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.

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

Hong Kong, 24 August 2023

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.