JUTAL

巨濤海洋石油服務有限公司

Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03303)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

Financial Highlights

- Revenue increased by 48.02% to RMB2,591,773,000;
- Gross profit increased by 1,441.01% to RMB655,390.000;
- For the year ended 31 December 2023, profit attributable to owners of the Company was RMB254,989,000;

  For the year ended 31 December 2022, loss attributable to owners of the Company was RMB208,234,000;
- Basic earnings per share were RMB12.87 cents;
- The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

The above are intended to be highlights to the salient aspects of the annual results of the Group for the year ended 31 December 2023 only. In order to acquire a comprehensive understanding of the Group's state of affairs and results of its operations, general investors are encouraged to refer to the body of this announcement for details.

The board of directors (the "**Board**") of Jutal Offshore Oil Services Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	**2,591,773**	1,750,927
Cost of sales and services		**(1,936,383)**	(1,708,397)
Gross profit		**655,390**	42,530
Other income	5	**30,374**	37,374
(Impairment losses on trade and bills receivables)/Reversals of impairment losses on trade and bills receivables		**(6,122)**	21,973
Reversal of impairment losses on other receivables		**9**	-
(Impairment losses on contract assets)/Reversals of impairment losses on contract assets		**(2,935)**	2,147
Administrative expenses		**(197,932)**	(168,027)
Other operating expenses	7	**(72,812)**	(105,196)
Profit/(Loss) from operations		**405,972**	(169,199)
Finance costs	8	**(20,396)**	(28,645)
Profit/(Loss) before tax		**385,576**	(197,844)
Income tax expense	9	**(130,587)**	(10,390)
Profit/(Loss) for the year	10	**254,989**	(208,234)
Attributable to:			
Owners of the Company		**254,989**	(208,234)
Earnings/(Loss) per share	12		
		RMB	RMB
Basic		**12.87 cents**	(11.80) cents
Diluted		**12.87 cents**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	RMB'000
Profit/(loss) for the year	**254,989**	(208,234)
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**5,997**	27,450
Other comprehensive income for the year, net of tax	**5,997**	27,450
Total comprehensive income/(expense) for the year	**260,986**	(180,784)
Attributable to:		
Owners of the Company	**260,986**	(180,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Note	**2023** RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**917,719**	1,036,027
Right-of-use assets		**378,631**	397,715
Goodwill		**52,444**	52,444
Intangible assets		**5,487**	9,118
Trade receivables, non-current		**3,846**	3,281
Deferred tax assets		**5,228**	59,319
		1,363,355	1,557,904
Current assets			
Inventories		**110,569**	122,152
Trade and bills receivables	13	**1,119,485**	264,023
Contract cost assets	14	**1,298**	10,091
Contract assets	15	**504,704**	365,608
Prepayments, deposits and other receivables		**122,816**	83,513
Derivative financial instruments		**703**	4,015
Current tax assets		**-**	6,426
Financial assets at fair value through profit or loss		**58,283**	57,454
Pledged bank deposits		**51,069**	97,799
Bank and cash balances		**752,717**	610,477
		2,721,644	1,621,558
Current liabilities			
Trade and bills payables	16	**699,455**	495,283
Contract liabilities	15	**648,903**	128,220
Accruals and other payables		**113,742**	100,510
Derivative financial instruments		**7,886**	13,801
Provisions	17	**168,348**	131,917
Bank borrowings		**81,800**	205,000
Deferred income		**4,100**	6,824
Lease liabilities		**7,312**	8,399
Current tax liabilities		**49,693**	-
		1,781,239	1,089,954
Net current assets		**940,405**	531,604
Total assets less current liabilities		**2,303,760**	2,089,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2023

	Note	**2023**	2022
		RMB'000	RMB'000
Non-current liabilities			
Deferred income		**11,987**	14,464
Lease liabilities		**16,513**	22,558
Bank borrowings		**227,500**	259,800
Deferred tax liabilities		**36,021**	45,439
		292,021	342,261
NET ASSETS		**2,011,739**	1,747,247
Capital and reserves			
Share capital		**17,783**	17,783
Reserves		**1,993,956**	1,729,464
TOTAL EQUITY		**2,011,739**	1,747,247

NOTES:

1. GENERAL INFORMATION

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

The Company is an investment holding company.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs

（a） New and Amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

Except for those mentioned below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

<u>Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"</u>

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONT'D)

（a） New and Amended HKFRSs that are effective for annual periods beginning on 1 January 2023 (CONT'D)

Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments provide mandatory temporary relief from accounting for deferred tax arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules (i.e. global minimum tax rules designed to ensure that large multinational business pay a minimum effective rate of tax of 15% on profits in all countries) ("**Pillar Two Model Rules**"). Entities shall apply this temporary exception immediately and retrospectively upon issuance of the amendments and disclose the fact of the application.

Besides, the amendments also introduce additional disclosure requirements to help users of financial statements to understand an entity's exposure to income taxes arising from the Pillar Two Model Rules. These disclosure are required in periods in which the legislation for Pillar Two Model Rules is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The amendments have no impact on the consolidated financial statements because the Group does not fall into the scope of the Pillar Two Model Rules.

（b） New and amendments to HKFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of exchangeability	1 January 2025

The directors of the Company anticipate that the application of new and amendments to HKFRSs are not expected to have a material impact on the consolidated results and the consolidated financial position of the Group.

4. REVENUE

(a) Disaggregation of revenue

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

	2023	2022
Revenue from contracts with customers within the scope of HKFRS 15	**RMB'000**	RMB'000
Disaggregated by type of contract		
- Revenue from construction contracts	**2,375,682**	1,544,552
- Trading of products	**24,518**	41,912
- Technical support services	**191,573**	164,463
	2,591,773	1,750,927

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

For the year ended 31 December	Revenue from construction contracts		Trading products		Technical support services		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**12,591**	19	**24,518**	41,912	**-**	1,743	**37,109**	43,674
Goods and services transferred over time	**2,363,091**	1,544,533	**-**	-	**191,573**	162,720	**2,554,664**	1,707,253
Total	**2,375,682**	1,544,552	**24,518**	41,912	**191,573**	164,463	**2,591,773**	1,750,927

For revenue from the transfer of goods and services over time, input and output methods are applied depends on the characteristics of the construction contracts and technical support services.

For revenue from the transfer of goods and services at a point in time, revenue is recognised when customer obtains control of the promised goods or services.

Both revenue from transfer of goods and services over time and at a point in time do not contain significant financing component.

4. REVENUE (CONT'D)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of products		Technical support services	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Within one year	**2,105,479**	608,955	**-**	-	**142,888**	50,528
More than one year but not more than two years	**93,973**	-	**-**	-	**12,747**	-
	2,199,272	608,955	**-**	-	**155,635**	50,528

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

5. OTHER INCOME

	2023	2022
	RMB'000	RMB'000
Net foreign exchange gains	**-**	9,952
Compensation income	**4,891**	5,740
Government grants recognised (note (a))	**9,385**	10,761
Interest income on bank deposits	**13,409**	4,719
Gain on early termination of lease contracts	**25**	-
Reversal of other receivable previously written off (note(b))	**-**	3,063
Others	**2,664**	3,139
	30,374	37,374

Note (a): For the year ended 31 December 2023, government grants of approximately RMB4,184,000 (2022: RMB3,936,000) are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Government grants of approximately RMB5,201,000 (2022: RMB6,825,000) are recognised in relation to certain research and development activities.

Note (b): For the year ended 31 December 2022, the reversal of other receivable was mainly resulted from the settlement of the amount which was fully written off in previous year.

6. SEGMENT INFORMATION

The Group has two reportable segments as follows:

(a) Fabrication of facilities and provision of integrated services for oil and gas industries

(b) Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries

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

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

Segment profits or losses do not include other income, administrative expenses, other operating expenses, finance costs, impairment losses/reversals of impairment losses on (i) trade and bills receivables; (ii) other receivables; (iii) contract assets and (iv) intangible assets and income tax expense. Segment assets do not include goodwill, derivative financial instruments, current and deferred tax assets, pledged bank deposits, bank and cash balances, financial assets at fair value through profit or loss and other corporate assets. Segment liabilities do not include bank borrowings, derivative financial instruments, current and deferred tax liabilities and deferred income.

6. SEGMENT INFORMATION (CONT'D)

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

	Fabrication of facilities and provision of integrated services for oil and gas industries	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023				
Revenue from external customers	**2,377,445**	**202,916**	**11,412**	**2,591,773**
Segment profit	**532,312**	**122,629**	**449**	**655,390**
Depreciation and amortisation	**127,295**	**9,202**	**786**	**137,283**
Other material non-cash items:				
(Reversals of impairment losses)/Impairment losses on trade and bills receivables, net				**6,122**
Reversals of impairment loss on other receivables				**(9)**
Impairment losses on contract assets				**2,935**
Impairment losses on intangible assets				**1,915**
Impairment of inventories				**26,488**
Impairment losses on property, plant and equipment				**5,365**
Losses on derivative financial instruments				**27,112**
Additions to segment non-current assets				**7,452**
As at 31 December 2023				
Segment assets	**3,127,061**	**29,699**	**2,308**	**3,159,068**
Segment liabilities	**1,614,650**	**39,290**	**333**	**1,654,273**
Year ended 31 December 2022				
Revenue from external customers	1,569,849	167,142	13,936	1,750,927
Segment profit	102,857	(60,886)	559	42,530
Depreciation and amortisation	141,300	15,400	84	156,784
Other material non-cash items:				
Reversals of impairment losses on trade and bills receivables, net				(21,973)
Reversals of impairment loss on contract assets				(2,147)
Impairment of inventories				17,105
Impairment losses on property, plant and equipment				55,962
Losses on derivative financial instruments				26,105
Provision for onerous contract				72,232
Additions to segment non-current assets				48,341
As at 31 December 2022				
Segment assets	2,056,000	202,022	24,388	2,282,410
Segment liabilities	758,365	111,607	16,915	886,887

6. SEGMENT INFORMATION (CONT'D)

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

	2023 RMB'000	2022 RMB'000
Profit or loss		
Total profit of reportable segments	**655,390**	42,530
Unallocated amounts:		
Finance costs	**(20,396)**	(28,645)
(Impairment losses)/Reversals of impairment losses on trade and bills receivables	**(6,122)**	21,973
Reversal of impairment losses on other receivables	**9**	-
(Impairment losses)/Reversals of impairment losses on contract assets	**(2,935)**	2,147
Impairment losses on intangible assets	**(1,915)**	-
Other income	**30,374**	37,374
Other corporate expenses	**(268,829)**	(273,223)
Consolidated profit/(loss) before tax for the year	**385,576**	(197,844)
Assets		
Total assets of reportable segments	**3,159,068**	2,282,410
Unallocated amounts:		
Bank and cash balances	**752,717**	610,477
Pledged bank deposits	**51,069**	97,799
Derivative financial instruments	**703**	4,015
Financial assets at fair value through profit or loss	**58,283**	57,454
Current tax assets	**-**	6,426
Deferred tax assets	**5,228**	59,319
Goodwill	**52,444**	52,444
Other corporate assets	**5,487**	9,118
Consolidated total assets	**4,084,999**	3,179,462
Liabilities		
Total liabilities of reportable segments	**1,654,273**	886,887
Unallocated amounts:		
Bank borrowings	**309,300**	464,800
Derivative financial instruments	**7,886**	13,801
Current tax liabilities	**49,693**	-
Deferred income	**16,087**	21,288
Deferred tax liabilities	**36,021**	45,439
Consolidated total liabilities	**2,073,260**	1,432,215

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

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

	Revenue		Non-current assets	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**289,642**	334,804	**1,354,281**	1,495,304
United States	**39,940**	103,106	**-**	-
Switzerland	**458,717**	238,439	**-**	-
Norway	**244**	53,102	**-**	-
Singapore	**1,237**	49,493	**-**	-
France	**15,119**	608,380	**-**	-
United Kingdom	**200,356**	131,797	**-**	-
Netherlands	**68,741**	128,509	**-**	-
United Arab Emirates	**1,343,194**	4,130	**-**	-
Others	**174,583**	99,167	**-**	-
Consolidated total	**2,591,773**	1,750,927	**1,354,281**	1,495,304

Revenue from major customers:

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000**	**Others RMB'000**	**Total RMB'000**
Year ended 31 December 2023				
Customer A	**133,585**	**124**	**8,763**	**142,472**
Customer B	**448,095**	-	**-**	**448,095**
Customer C	**-**	-	**-**	**-**
Customer D	**1,330,579**	-	**-**	**1,330,579**
Year ended 31 December 2022				
Customer A	173,195	21,195	5,779	200,169
Customer B	183,806	50,181	-	233,987
Customer C	462,144	-	-	462,144

7. OTHER OPERATING EXPENSES

	2023 **RMB'000**	2022 RMB'000
Net losses on disposal of property, plant and equipment	**269**	368
Net foreign exchange losses	**7,526**	-
Impairment losses on inventories	**26,488**	17,105
Impairment losses on property, plant and equipment	**5,365**	55,962
Net losses from foreign exchange forward settlement contracts and swap contracts	**27,112**	26,105
Impairment losses on contract cost assets	**-**	5,072
Impairment losses on intangible assets	**1,915**	-
Loss on deregistration of branches of a subsidiary	**572**	-
Others	**3,565**	584
	72,812	105,196

8. FINANCE COSTS

	2023 **RMB'000**	2022 RMB'000
Interest on bank borrowings	**18,601**	25,082
Interest on lease liabilities	**1,364**	1,552
Others	**431**	2,011
	20,396	28,645

9. INCOME TAX EXPENSE

	2023 **RMB'000**	2022 RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**81,129**	4,422
Under/(Over)-provision in prior years	**4,785**	(769)
	85,914	3,653
Deferred tax	**44,673**	6,737
	130,587	10,390

(a) **Hong Kong Profits Tax**

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2023 and 2022.

9. INCOME TAX EXPENSE (CONT'D)

(a) **Hong Kong Profits Tax**

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2023 and 2022.

(b) **PRC Enterprise Income Tax**

Pursuant to relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rates of the Group's PRC subsidiaries are as follows:

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

Penglai Jutal was approved to recognise as a new and high technology enterprise starting from 12 December 2022 to 11 December 2025.

During the year ended 31 December 2023, Penglai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2022:15%).

(ii) Zhuhai Jutal Offshore Oil Services Company Limited ("**Zhuhai Jutal**")

Zhuhai Jutal was approved to recognise as a new and high technology enterprise since 9 December 2020 to 8 December 2023. During the year, Zhuhai Jutal has applied and being approved to continue recognise as a new and high technology enterprise for another three years until 27 December 2026.

During the year ended 31 December 2023, Zhuhai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2022:15%).

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

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

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

	2023	2022
	RMB'000	RMB'000
Profit/(Loss) before tax	**385,576**	(197,844)
Tax at the PRC enterprise income tax rate of 25% (2022: 25%)	**96,394**	(49,461)
Tax effect of income that is not taxable	**(231)**	(1,355)
Tax effect of expenses that are not deductible	**15,792**	8,005
Tax effect of tax loss previously not recognised	**(1,958)**	-
Tax effect of tax losses not recognised	**17,930**	41,783
Deferred tax on undistributed earnings of the PRC subsidiaries	**1,962**	1,295
Tax effect on deferred tax assets previously recognised	**53,323**	-
Tax benefit for qualifying research and development expenses	**(6,589)**	(9,588)
Under/(Over)-provision in prior years	**4,785**	(769)
Effect of different tax rates of subsidiaries	**(50,821)**	20,480
Income tax expense	**130,587**	10,390

10. PROFIT/(LOSS) FOR THE YEAR

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

		2023	2022
		RMB'000	RMB'000
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**352,313**	425,451
	Retirement scheme contributions	**31,623**	37,375
	Share-based payments	**3,506**	-
		387,442	462,826

(b) Other items:

	2023	2022
	RMB'000	RMB'000
Amortisation of intangible assets	**1,716**	1,928
Depreciation on property, plant and equipment	**115,417**	133,390
Depreciation on right-of-use assets	**20,150**	21,466
Net loss on disposals of property, plant and equipment*	**269**	368
Net foreign exchange losses/(gains)*	**7,526**	(9,952)
Research and development expenditure	**99,557**	78,469
Auditor's remuneration	**1,550**	1,717
Cost of inventories utilised in construction contracts and sold	**513,840**	349,121
Cost of service	**257,320**	319,783
Impairment of inventories*	**26,488**	17,105
Impairment/(Reversals) of allowance on trade and bills receivables	**6,122**	(21,973)
Impairment/(Reversals) of allowance on contract assets	**2,935**	(2,147)
Impairment losses on property, plant and equipment*	**5,365**	55,962
Impairment losses on intangible assets	**1,915**	-
Reversals of other receivables previously written off*	**-**	3,063
Losses on derivative financial instruments*	**27,112**	26,105

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

11. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE

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

	2023	2022
	RMB'000	RMB'000
Earnings/(Loss)		
Earnings/(Loss) for the purpose of calculating basic and diluted earnings per share	**254,989**	(208,234)

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,981,598,389**	1,764,461,388
Effect of dilutive potential ordinary shares arising from share options	**78,022**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,981,676,411**	N/A*

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

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

* As the exercise of the Group's outstanding share options for the year ended 31 December 2022 would be anti-dilutive, no diluted loss per share was presented for the year ended 31 December 2022.

13. TRADE AND BILLS RECEIVABLES

	2023 **RMB'000**	2022 RMB'000
Trade receivables	**1,215,162**	362,255
Allowance for doubtful debts	**(101,073)**	(94,951)
	1,114,089	267,304
Bills receivables	**9,242**	-
	1,123,331	267,304

	2023 **RMB'000**	2022 RMB'000
Classified as:		
Trade receivables, non-current	**3,846**	3,281
Trade and bills receivables, current	**1,119,485**	264,023
	1,123,331	267,304

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

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

	2023 **RMB'000**	2022 RMB'000
Billed		
0 to 30 days	**867,651**	192,218
31 to 90 days	**229,171**	37,414
91 to 365 days	**16,704**	13,790
Over 365 days	**58,821**	73,009
	1,172,347	316,431
Unbilled (note a)	**42,815**	45,824
	1,215,162	362,255

Note a: The unbilled balance mainly in relation to provision of construction and other services which will be billed in accordance with the payment terms stipulated in the relevant contracts entered into between the Group and the contract customers. As at 31 December 2023, unbilled balance of RMB3,846,000 (2022: RMB3,281,000) will be billed after one year from the end of the reporting date.

13. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2023, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB12,820,000 (2022: RMB14,947,000).

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

	2023	2022
	RMB'000	RMB'000
RMB	**1,026,749**	121,307
United States Dollar ("US$")	**95,306**	144,201
Euro	**-**	538
Hong Kong Dollar ("HK$")	**1,276**	1,258
Total	**1,123,331**	267,304

14. CONTRACT COST ASSETS

	2023	2022
	RMB'000	RMB'000
Contract cost assets	**1,298**	10,091

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

	2023	2022
	RMB'000	RMB'000
At 1 January	**10,091**	7,136
Additions	**26**	8,819
Amortisation for the year	**(8,819)**	(792)
Impairment loss on contract cost assets	**-**	(5,072)
At 31 December	**1,298**	10,091

15. CONTRACT ASSETS / CONTRACT LIABILITIES

Contract assets	**2023**	2022
	RMB'000	RMB'000
Arising from performance under construction contracts	**453,074**	307,597
Arising from performance under technical support services	**51,630**	58,011
	504,704	365,608
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	**1,123,331**	267,304

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

During the reporting period, increase in contract assets mainly due to recognising revenue before being unconditionally entitled to the consideration under the payment terms set out in respective contracts.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB1,860,000 (2022: RMB87,458,000), mainly due to the changes in the final transaction price of certain construction and service contracts.

No contract assets are expected to be recovered after more than one year (2022: Nil).

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

Contract liabilities	**2023**	2022
	RMB'000	RMB'000
Billings in advance of performance obligation		
- Construction contracts	**640,133**	123,608
- Technical support services	**8,770**	4,612
	648,903	128,220

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

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

Movements in contract liabilities:

	2023	2022
	RMB'000	RMB'000
Balance at 1 January	**128,220**	86,677
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(120,877)**	(79,395)
Increase in contract liabilities as a result of billing in advance of construction activities	**641,560**	120,938
Balance at 31 December	**648,903**	128,220

No billings in advance are expected to be recognised as income after more than one year (2022: Nil).

16. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables	**652,050**	467,727
Bills payables	**47,405**	27,556
	699,455	495,283

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

	2023	2022
	RMB'000	RMB'000
0 to 30 days	**530,981**	153,648
31 to 90 days	**41,295**	68,314
91 to 365 days	**21,325**	152,886
Over 365 days	**58,449**	92,879
	652,050	467,727

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

	2023	2022
	RMB'000	RMB'000
RMB	**694,026**	489,090
US$	**4,030**	6,028
HK$	**115**	113
Euro	**1,284**	52
Total	**699,455**	495,283

17. PROVISIONS

	Warranty provision (note (i))		Provision for onerous contract (note (ii))		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**59,685**	79,583	**72,232**	78,114	**131,917**	157,697
Additional provisions	**114,476**	9,150	**-**	72,232	**114,476**	81,382
Provisions used	-	(58)	**(72,232)**	-	**(72,232)**	(58)
Unused provisions reversed	**(5,813)**	(28,990)	**-**	-	**(5,813)**	(28,990)
Provisions reversed upon completion of the contract	-	-	**-**	(78,114)	-	(78,114)
At 31 December	**168,348**	59,685	**-**	72,232	**168,348**	131,917

Note:

(i) The warranty provision represents the Group's best estimate of the Group's liability under 18 - 84 months (2022: 18 - 84 months) warranties granted to its customers in relation to certain construction contracts under which defective works are rectified or replaced.

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

(ii) The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contract, which exceeds the expected benefits to be received by the Group. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

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

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

Qualified Opinion

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The consolidated financial statements of the Group for the year ended 31 December 2022, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, were audited by the Company's predecessor auditor who expressed a qualified opinion on the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (the "**Qualification**").

The predecessor auditor expressed a qualified opinion because they were unable to obtain sufficient and appropriate audit evidence to support the recognition of the amounts of the provision for liquidated damages in the profit or loss for the years ended 31 December 2022 and 2021 and the carrying amount of the provision for liquidated damages recognised in the consolidated statement of financial position as at 31 December 2021. Details of the Qualification has been disclosed in the independent auditor's report for the 2022 annual report dated 31 March 2023.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current and the corresponding figures of the profit or loss for the year.

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

The Actual or Potential Impact on the Group's Financial Position

The financial impact of the provision for liquidated damages has been fully reflected in the financial statements for the years ended 31 December 2021 and 31 December 2022 and will no longer have an impact on the Group's financial position and results of operations for 2023 and beyond, nor will there be any potential impact.

Management's Position and Basis on Major Judgmental Areas, and how Management's View is Different from Auditor's View

The management believes that the Group had reached an agreement with the customer in August 2022, and the final amount and the financial impact have all been reflected in the financial statements as at and for the years ended 31 December 2021 and 2022. The auditor's opinion on the current year's consolidated financial statements is also modified only on the comparability of current year's and the corresponding figures of the profit or loss, because of the predecessor auditor's modified opinion on the figures of the profit or loss in the financial statements for the years ended 31 December 2022.

Audit Committee's View towards the Qualified Opinion

After discussion with the management and the auditor, the audit committee understood the judgment of the Company's management and agreed the audit committee understood the judgment of the Company's management and agreed with the basis and viewpoint of the auditor's qualified opinion. The Audit Committee is of the view that The financial impact of the provision for liquidated damages has been fully reflected in the financial statements for the years ended 31 December 2021 and 31 December 2022 and will no longer have an impact on the Group's financial position and results of operations for 2023 and beyond, nor will there be any potential impact.

Plans to Address the Qualified Opinion

The matter giving rise to the qualified opinion has been resolved, the relevant amounts and impact have been reflected in the Group's financial statements. The Group has discussed with the auditor and it is not expected that the matters giving rise to the qualified opinion will have a material impact on the financial statements for the coming year.

BUSINESS REVIEW

Looking back on 2023, geopolitical conflicts further occurred while the social and economic situations were still unstable, affecting global trade and industrial chain security, and increasing uncertainty in the global economy. The international energy market remained tense and volatile, and fossil fuel prices were extremely sensitive to geopolitical risks, extreme weather, emergencies, etc. Countries around the world have been trying to find a balance between energy security and energy transformation.

In the face of complex international situations and market information, the Group has maintained close attention and tracking, promptly followed up and understood the macro situation, assessed operational risks, kept abreast of industry opportunities, and strengthened market development, while improving operation and management to reduce costs and increase efficiency. During the reporting year, the Group achieved new breakthroughs in the market, strengthened the operation and management of various projects, and achieved satisfactory operating performance.

The Group's main business is to provide equipment construction and engineering services to international energy and refining and chemical industries. The Penglai site of the Group operated a total of 15 projects in 2023. During the construction process of several important projects, project personnel overcame various adverse effects such as customer design modifications and delays, late arrival of materials, and harsh winter construction environment, and successfully completed the construction work of all projects, created a new module construction delivery record, received recognition and high praise from important customers, demonstrated excellent project management and construction and production organization capabilities, and also laid a solid foundation for obtaining orders for subsequent projects.

While ensuring on-time delivery of projects, projects under construction have also achieved further improvements in project safety, quality and production efficiency. The Group has continued to strengthen health, safety and environmental protection trainings and on-site inspections, and conducted high-risk management and control and emergency drills. Although the Penglai site had more than 7,000 people present at its peak, it still achieved 11.14 million safe working hours throughout the year. The number of lost work events, work restriction events and lost working days continued to remain zero, and the frequency and severity of accidents were both zero.

In order to improve and speed up business connection and control, break down data barriers, and achieve transparent sharing of information, the Group has started to build an "integrated management and control platform" at its main construction sites and established a company-level large-scale production database.

The Group has encouraged and promoted technological and process innovation, and has achieved breakthroughs by achieving independent design, certification and supply of key components, which has bought more time and reduced risks for project construction. Improvements have also been achieved in aspects such as design management, laying the foundation for future large-scale module structure design calculations. During the year, the Group also completed the research and development and acceptance of some key application technologies, applied for a number of provincial and municipal technological innovation projects, and implemented other innovative research and achieved preliminary results.

In order to keep up with the development trends of various projects in the future, seize market development opportunities, and solve the serious shortage of final assembly area at the Penglai construction site, the Group has started renovation of the Penglai West factory area and added construction equipment during the year, so as to increase module assembly area and further enhance the construction capacity of the site.

In accordance with the overall business development strategic plan, the Group has established a detailed design department in the second half of 2023 to establish a full-professional design team related to detailed module design and develop design management processes and standards to form detailed design capabilities for the module business and promote the strategic transformation of the module business to high added value.

During the year, the Group continued to carry out cost reduction and efficiency improvement work, increased the number of supplier tenders, expanded procurement channels and sources, reduced procurement costs through various measures, localization and brand substitution, and strengthened the management of suppliers and subcontracting. In addition, the Group has actively promoted talent skills training and strengthened assessment and incentives to improve efficiency and effectiveness.

PROSPECTS

With the intensification of the interest game and the impact of geopolitical turbulence, it is expected that the global economy will be more vulnerable to the impact of uncertain events in the next year.

The Group also constantly pays attention to the development of the macro situation and various policies and laws, assesses the risks and impacts they may have on the Group's operations, and actively takes measures to respond. There are still certain uncertainties in the market, and some of the projects being tracked may be delayed, which may have a certain impact on the workload in the first half of 2024. The Group will continue to increase market development, track traditional construction projects, develop in-depth cooperation with customers and partners, deepen cooperation areas, and maintain construction advantages. For new energy markets with huge potential, such as offshore wind power, the Group will keep a close eye, keep up with industry developments, and actively strive for new energy construction projects.

The Group will actively promote and develop business transformation and upgrading, and expand through cooperation, acquisitions and other means as necessary. The Group will also strengthen scientific and technological innovation and process research and development, focusing on the substitution of localized materials and equipment, patented product research and development, major scientific research project applications and process innovation, promote the upgrading and application of digital systems and intelligent equipment, and achieve operational efficiency improvements across the entire value chain. At the same time, it will continue to promote the upgrading and renovation of production sites and enhance construction capabilities. In terms of cost reduction and efficiency improvement, it will strengthen cost composition analysis of all aspects of production with a view to further improving efficiency and effectiveness.

In the new year, the Group will continue to further promote the caring culture and expand the team of caring leaders. It will continue to spread the culture of care through various means such as media publicity and activities organization, adopt various approaches to mobilize lower-level management to consciously and proactively participate in daily safety management, resolve safety risks, and maintain stable and safe production.

The Group will continue to adjust and deepen reform, build a talent development platform, reflect the rewards of talent contribution value, promote the management to update their concepts, increase learning, strengthen awareness, broaden their horizons, continuously improve, enhance capabilities, establish a sense of responsibility and mission, and seize historical opportunities to realize future business transformation and upgrading for long-term development.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Revenue

As compared with last year, the workload of the Group's construction sites increased significantly. In year 2023, the Group recorded a revenue of approximately RMB2,591,773,000 representing an increase of 48.02% or RMB840,846,000 as compared with year 2022. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and natural gas industries increased by 51.44% or RMB807,596,000 as compared with that of year 2022. Revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries increased by 21.40% or RMB35,774,000 as compared with that of year 2022. Other businesses were mainly the provision of diving-related technical services and provision of technical support services for shipbuilding industry. The revenue from such business decreased by 18.11% or RMB2,524,000 as compared with that of year 2022.

The table below sets out the analysis of revenue by business segments for the years 2023, 2022 and 2021 respectively:

		For the financial year ended 31 December					
		2023		2022		2021	
	Business Segments	**RMB'000**	**Percentage to total revenue (%)**	RMB'000	Percentage to total revenue (%)	RMB'000	Percentage to total revenue (%)
1	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**2,377,445**	**91**	1,569,849	90	2,922,044	73
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**202,916**	**8**	167,142	9	1,038,885	26
3	**Others**	**11,412**	**1**	13,936	1	20,683	1
	Total	**2,591,773**	**100**	1,750,927	100	3,981,612	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB1,936,383,000 in year 2023, representing an increase of approximately 13.35% or approximately RMB227,986,000 as compared with RMB1,708,397,000 in year 2022. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB1,712,821,000, representing approximately 88.45% of the total cost of sales and services, and an increase of approximately RMB294,483,000 or approximately 20.76% from RMB1,418,338,000 of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services varies from project to project. Manufacturing overheads have decreased by approximately RMB66,497,000 or 22.93% from RMB290,059,000 of the corresponding period of last year to approximately RMB223,562,000 in current reporting period.

Gross profit

The total gross profit of the Group for the year 2023 amounted to approximately RMB655,390,000, representing an increase of approximately 1,441% or approximately RMB612,860,000 as compared with RMB42,530,000 in year 2022. The overall gross profit margin rose to approximately 25.29% from 2.43% of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and natural gas industries rose from 6.55% in year 2022 to approximately 22.39%. The gross profit margin of the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries rose from (36.43%) in year 2022 to approximately 60.43%. The gross profit margin of other businesses dropped from 4.02% in year 2022 to approximately 3.93%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The increase in overall gross profit margin was mainly due to the Company's strict management measures in production and operations, the implementation of staff reduction and efficiency improvement, and cost reduction. The work efficiency of several projects has been significantly improved, thereby increasing the overall gross profit margin.

The following shows the breakdown of gross profit/(loss) by business segments for the years 2023, 2022 and 2021 respectively:

		For the financial year ended 31 December								
		2023			2022			2021		
	Business Segments	**RMB'000**	**Gross profit margin (%)**	**Percentage to total gross profit (%)**	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)
1	**Fabrication of facilities and provision of integrated services for oil and gas industries**	**532,312**	**22**	**81**	102,857	7	242	420,234	14	148
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**122,629**	**60**	**19**	(60,886)	(36)	(143)	(137,074)	(13)	(48)
3	**Others**	**449**	**4**	**0**	559	4	1	456	2	0
	Total	**655,390**		**100**	42,530		100	283,616		100

Other income

Other income of the Group in year 2023 amounted to approximately RMB30,374,000, mainly comprising interest income and income from government grants.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate decreased by approximately 0.91% or approximately RMB2,479,000 as compared with that of year 2022 to approximately RMB270,744,000. Among them, the administrative expenses increased by approximately RMB29,905,000 as compared with that of year 2022, mainly due to the fact that the employee compensation increased in year 2023; Other operating expenses decreased by approximately RMB32,384,000 as compared with that in 2022, mainly due to the decrease in impairment loss of assets recognized in year 2023.

Finance costs

Finance costs in aggregate amounted to approximately RMB20,396,000 in year 2023, which was mainly comprised of interests on bank borrowings of approximately RMB18,601,000 and bank charges and other finance costs of approximately RMB1,795,000.

Profit attributable to owners of the Company and profit per share

In summary, in year 2023, profit attributable to owners of the Company amounted to approximately RMB254,989,000 (2022: loss of approximately RMB208,234,000). Basic and diluted earnings per share attributable to owners of the Company for year 2023 were approximately RMB12.87 cents.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB752,805,000 (2022: RMB610,477,000). During the year, net cash inflow from operating activities amounted to approximately RMB287,139,000, net cash inflow from investing activities amounted to approximately RMB12,282,000, and net cash outflow from financing activities amounted to approximately RMB163,673,000.

As at 31 December 2023, the Group had approximately RMB104,290,000 (2022: RMB385,140,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc. but exclude bank guarantees.

As at 31 December 2023, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB299,066,000 (2022: RMB419,276,000).

3. CAPITAL STRUCTURE

As of 31 December 2023, the share capital of the Company comprises 1,981,598,389 ordinary shares (2022: 1,981,598,389 ordinary shares). As at 31 December 2023, net assets of the Group amounted to approximately RMB2,011,739,000 (2022: RMB1,747,247,000), comprising non-current assets of approximately RMB1,363,355,000 (2022: RMB1,557,904,000), net current assets of approximately RMB940,405,000 (2022: RMB531,604,000) and non-current liabilities of approximately RMB292,021,000 (2022: RMB342,261,000).

4. SIGNIFICANT INVESTMENT

During the year, based on market conditions and future development plans, in order to further improve the equipment and facilities at the Penglai site and meet the needs of existing and potential projects, the Group began to renovate the Penglai West factory area with an estimated expenditure of approximately RMB200 million.

Except as mentioned above, during the year ended 31 December 2023, the Group had no other significant investments, acquisitions or disposals.

5. FOREIGN EXCHANGE RISK

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are denominated in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Euros would bring certain foreign exchange risk to the Group. The Group would minimise the volume of business settlement and 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 business contracts.

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2023, approximately RMB51,069,000 (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.

7. CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have significant contingent liabilities.

8. CAPITAL MANAGEMENT

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

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

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

The gearing ratios at 31 December 2023 and at 31 December 2022 were as follows:

	2023	2022
	RMB'000	RMB'000
Bank borrowings	**309,300**	464,800
Lease liabilities	**23,825**	30,957
Total equity	**2,011,739**	1,747,247
Gearing ratio	**16.56%**	28.37%

The decrease in gearing ratio for the period resulted mainly from the increase in total equity caused by profit incurred in year 2023 and decrease in bank borrowings and lease liabilities. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had total 2,281 employees (31 December 2022: 2,739 employees), of which 1,026 (31 December 2022: 1,204) were management and technical staff, and 1,255 (31 December 2022: 1,535) were technicians.

The Group encourages staff to long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group continues to optimize its salary and welfare policies to ensure that employees enjoy relevant benefits and rights in accordance with the law. By establishing an effective performance evaluation mechanism, the group regularly assesses employees' work performance, encourages employees to be proactive and improve performance. The Group contributes to social security funds and housing funds for employees according to the local laws and regulations.

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

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company comprises of four independent non-executive directors. The audit committee has reviewed the consolidated results of the Group for the year ended 31 December 2023.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Corporate Governance Codes set out in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**") for the year ended 31 December 2023, save for the deviations from the code provisions as follows:

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

The Company provides the board member, namely Mr. Cao Yunsheng, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code is to enhance the Company's 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 year.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed interest in any of the Company's listed securities during the year ended 31 December 2023.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by Grant Thornton Hong Kong Limited on this results announcement.

PUBLICATION OF FINAL RESULTS

This results announcement will be published on the website of the Stock Exchange and the Company's website (www.jutal.com). The annual report for the year ended 31 December 2023 containing all the information required under Appendix 16 to the Listing Rules will be disseminated in due course.

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

Hong Kong, 26 March 2024

As at the date of this announcement, the executive directors are Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng and Mr. Zhao Wuhui, the independent non-executive directors are Ms. Choy So Yuk, Mr. Tam Kin Yip, Mr. Cheung Ngar Tat Eddie and Mr. Zhang Hua.