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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)

2024 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS:

- Revenue was RMB1,284,256,000, a 55.95% increase from the same period in last year.
- Gross profit was RMB367,501,000, a 89.11% increase from the same period in last year.
- Profit attributable to owners of the Company was RMB177,309,000, a 157.55% increase from the same period in last year.
- Basic and diluted earnings per share were RMB8.675 cents and RMB8.673 cents respectively for the six months ended 30 June 2024.
- The Board recommends the payment of an interim dividend of HK0.03 per share for the six months ended 30 June 2024.

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 2024 of the Company and its subsidiaries (collectively referred to as the “**Group**”), together with the comparative figures for the corresponding period in 2023. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 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 2024**

		Six months ended 30 June	
	Notes	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,284,256	823,527
Cost of sales and services		<u>(916,755)</u>	<u>(629,190)</u>
Gross profit		367,501	194,337
Other income	5	13,912	16,359
Reversal of impairment losses on trade and other receivables/(Impairment losses on trade and other receivables)		10,543	(1,291)
Impairment losses on contract assets		(9,067)	(293)
Administrative expenses		(129,001)	(70,835)
Other operating expenses	6	<u>(38,820)</u>	<u>(33,767)</u>
Profit from operations		215,068	104,510
Finance costs	7	<u>(7,309)</u>	<u>(10,995)</u>
Profit before tax		207,759	93,515
Income tax expense	9	<u>(30,450)</u>	<u>(24,671)</u>
Profit for the period attributable to owners of the Company	10	<u>177,309</u>	<u>68,844</u>
Earnings per share	11	RMB	RMB
Basic		<u>8.675 CENTS</u>	<u>3.474 CENTS</u>
Diluted		<u>8.673 CENTS</u>	<u>3.474 CENTS</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>177,309</u>	<u>68,844</u>
Other comprehensive income:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>2,535</u>	<u>13,287</u>
Other comprehensive income for the period, net of tax	<u>2,535</u>	<u>13,287</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>179,844</u></u>	<u><u>82,131</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024**

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	924,627	917,719
Right-of-use assets		369,204	378,631
Goodwill		52,444	52,444
Intangible assets		4,808	5,487
Trade receivables, non-current	13	2,347	3,846
Deferred tax assets		7,331	5,228
		<u>1,360,761</u>	<u>1,363,355</u>
Current assets			
Inventories		143,462	110,569
Trade and bills receivables	13	429,034	1,119,485
Contract cost assets		21,056	1,298
Contract assets		512,942	504,704
Prepayments, deposits and other receivables		74,896	122,816
Derivative financial instruments		-	703
Current tax assets		11	-
Financial assets at fair value through profit or loss		54,618	58,283
Pledged bank deposits		61,830	51,069
Bank and cash balances		951,065	752,717
		<u>2,248,914</u>	<u>2,721,644</u>
Current liabilities			
Trade and bills payables	14	652,217	699,455
Contract liabilities		217,661	648,903
Accruals and other payables		87,801	113,742
Derivative financial instruments		4,362	7,886
Provisions		177,592	168,348
Bank borrowings		149,700	81,800
Deferred income		2,567	4,100
Lease liabilities		7,168	7,312
Current tax liabilities		12,257	49,693
		<u>1,311,325</u>	<u>1,781,239</u>
Net current assets		<u>937,589</u>	<u>940,405</u>
Total assets less current liabilities		<u>2,298,350</u>	<u>2,303,760</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024**

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Deferred income		17,025	11,987
Lease liabilities		12,761	16,513
Bank borrowings		30,500	227,500
Deferred tax liabilities		<u>30,613</u>	<u>36,021</u>
		<u>90,899</u>	<u>292,021</u>
NET ASSETS		<u>2,207,451</u>	<u>2,011,739</u>
Capital and reserves			
Share capital	15	19,145	17,783
Reserves		<u>2,188,306</u>	<u>1,993,956</u>
TOTAL EQUITY		<u>2,207,451</u>	<u>2,011,739</u>

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 2023 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 2023.

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 2023. 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 2024 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 2024 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 2024					
Revenue from external customers	1,281,731	2,226	299	1,284,256	
Segment profit/(loss)	363,509	4,428	(436)	367,501	
At 30 June 2024:					
Segment assets	2,379,491	21,645	76,434	2,477,570	
Segment liabilities	<u>1,107,514</u>	<u>36,168</u>	<u>11,517</u>	<u>1,155,199</u>	
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 31 December 2023:					
Segment assets	3,127,061	29,699	2,308	3,159,068	
Segment liabilities	<u>1,614,650</u>	<u>39,290</u>	<u>333</u>	<u>1,654,273</u>	
Six months ended 30 June					
2024					
RMB'000					
(Unaudited)					
2023					
RMB'000					
(Unaudited)					
Reconciliations of segment profit:					
Total profit of reportable segments				367,501	194,337
Unallocated amounts:					
Other income				13,912	16,359
Finance costs				(7,309)	(10,995)
Other corporate expenses				<u>(166,345)</u>	<u>(106,186)</u>
Consolidated profit before tax for the period				<u>207,759</u>	<u>93,515</u>

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	
	2024	2023	2024	2023	2024	2023	2024	2023
	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	21,987	23,041	-	-	-	673	21,987	23,714
Goods and services transferred over time	<u>1,259,744</u>	<u>653,975</u>	<u>2,226</u>	<u>141,016</u>	<u>299</u>	<u>4,822</u>	<u>1,262,269</u>	<u>799,813</u>
Total	<u><u>1,281,731</u></u>	<u><u>677,016</u></u>	<u><u>2,226</u></u>	<u><u>141,016</u></u>	<u><u>299</u></u>	<u><u>5,495</u></u>	<u><u>1,284,256</u></u>	<u><u>823,527</u></u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade and bills receivables	431,381	1,123,331
Contract assets	512,942	504,704
Contract liabilities	<u>217,661</u>	<u>648,903</u>

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 RMB486,693,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2024.

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Net foreign exchange gains	330	3,526
Gain on disposals of property, plant and equipment	-	33
Interest income on bank deposits	8,671	3,886
Government grants recognised	4,619	4,394
Compensation income	171	160
Reversal of impairment losses on inventories	-	3,273
Sundry income	121	1,087
	<u>13,912</u>	<u>16,359</u>

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Net losses on derivative financial instruments (note (a))	7,251	29,773
Impairment losses on inventories	3,101	-
Loss on disposals on property, plant and equipment	410	-
Impairment losses on property, plant and equipment (note (b))	26,018	3,926
Loss on disposal of a subsidiary (note (c))	282	-
Net loss on financial assets at fair value through profit or loss	1,418	-
Others	340	68
	<u>38,820</u>	<u>33,767</u>

Notes:

- (a) The net losses 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 2024, before impairment testing, the Group has property, plant and equipment with carrying amount of approximately RMB345,062,000 (at 30 June 2023: RMB326,374,000) 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 13.3% (for the six months ended 30 June 2023: 13.85%). For the six months ended 30 June 2024, an impairment loss of approximately RMB1,491,000 (for the six months ended 30 June 2023: RMB3,926,000) was recognised on fixed assets of the CGU.

Other than Zhuhai's CGU, the Group has an equipment located in the Group's Penglai fabrication plant. The Group has assessed there is an impairment indication of the equipment and the recoverable amounts of the equipment was estimated by using fair value less cost of disposal basis. For the six months ended 30 June 2024, an impairment loss of approximately RMB24,527,000 (for the six months ended 30 June 2023: RMB Nil) was recognised on the equipment.

- (c) On 31 May 2024, Shenzhen Jutal Machinery Equipment Company Limited, a wholly-owned subsidiary of the Company, had disposed 100% of the equity interest in Shenzhen Marine Diving Engineering Co., Ltd. for a total cash consideration of RMB1,200,000. For the six months ended 30 June 2024, a loss on disposal of a subsidiary of approximately RMB 282,000 was recognised. The disposal was completed during the period and the consideration was received in full.

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	4,937	10,084
Interest on lease liabilities	545	721
Others	1,827	190
	<u>7,309</u>	<u>10,995</u>

8. DIVIDENDS

The Board recommends the payment of an interim dividend of HK\$0.03 per share for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – The People's Republic of China (the "PRC")		
Enterprise Income Tax		
Provision for the period	37,975	17,895
Over provision in prior periods	(14)	-
	<u>37,961</u>	<u>17,895</u>
Deferred tax	(7,511)	6,776
	<u>30,450</u>	<u>24,671</u>

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 2024 and 2023.

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 FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses/(Reversal of impairment losses) on inventories	3,101	(3,273)
Loss/(Gain) on disposals of property, plant and equipment	410	(33)
Directors' emoluments		
- As directors	1,075	539
- For management	35,490	2,136
	<u>36,565</u>	<u>2,675</u>

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>177,309</u>	<u>68,844</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,043,991,246	1,981,598,389
Effect of dilutive potential ordinary shares arising from share options	<u>345,388</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,044,336,634</u>	<u>1,981,598,389</u>

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

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately RMB84,330,000 (six months ended 30 June 2023: RMB3,817,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	509,438	1,215,162
Allowance for doubtful debts	(88,571)	(101,073)
	420,867	1,114,089
Bills receivables	10,514	9,242
	431,381	1,123,331
Classified as:		
Trade receivables, non-current	2,347	3,846
Trade and bills receivables, current	429,034	1,119,485
	431,381	1,123,331

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 credit terms for bills receivables generally range from 180 to 270 days. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Billed:		
0 to 30 days	52,795	867,651
31 to 90 days	248,157	229,171
91 to 365 days	123,957	16,704
Over 365 days	46,782	58,821
	471,691	1,172,347
Unbilled	37,747	42,815
	509,438	1,215,162

14. TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	619,467	652,050
Bills payables	32,750	47,405
	652,217	699,455

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0 to 30 days	500,390	530,981
31 to 90 days	41,166	41,295
91 to 365 days	29,054	21,325
Over 365 days	48,857	58,449
	<u>619,467</u>	<u>652,050</u>

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each At 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	<u>4,000,000,000</u>	<u>40,000</u>

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

	Note	Number of shares	Amount HK\$'000	Equivalent to amount RMB'000
Issued and fully paid: Ordinary shares of HK\$0.01 each At 1 January 2023 (Audited) and 31 December 2023 (Audited)		1,981,598,389	19,816	17,783
Placement of shares	(a)	<u>150,000,000</u>	<u>1,500</u>	<u>1,362</u>
At 30 June 2024 (Unaudited)		<u>2,131,598,389</u>	<u>21,316</u>	<u>19,145</u>

Note:

- (a) On 7 March 2024, the Company completed a placing of 150,000,000 placing shares at the placing price of HK\$0.42 per placing share, representing approximately 7.04% of the issued share capital of the Company as enlarged by the issue of the placing shares. The net proceeds from the placing, after deduction of the placing commission and other related expenses and professional fees from the gross proceeds from the placing, amounted to HK\$61,509,000 (equivalent to RMB56,582,000) will be used for the construction of the existing Zhuhai site and Group's general working capital.

16. SHARE AWARD SCHEME

The Company has adopted a new share award scheme (the “**Scheme**”) pursuant to a resolution passed on 18 March 2024 which constituted by a Trust Deed between the Company and Tricor Trust (Hong Kong) Limited (the “**Trustee**”), in which employees may be selected by the Board of Directors to participate. Pursuant to the Scheme, shares of the Company will be purchased on the Hong Kong Stock Exchange, by the Trustee of the trusts declared in the trust deed.

On the grant of the share awards, the relevant number of shares may be transferred from the Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

For the six months ended 30 June 2024, the Trustee purchased an aggregate of 163,700,000 shares at prices ranging from HK\$0.51 to HK\$0.95 per share at a total consideration of approximately HK\$107,882,000 (equivalent to approximately RMB98,032,000) on the Hong Kong Stock Exchange for the purpose of the Scheme.

As at 30 June 2024, 66,000,000 award shares had been granted and 58,000,000 award shares had been transferred to selected employee(s) during the current period.

The expenses in relation to the share awards are charged to profit or loss over the relevant vesting periods with a corresponding increase in share award reserve. The fair value of the awarded shares on the date of grant was approximately HK\$49,500,000 (equivalent to approximately RMB44,931,000). For the six months ended 30 June 2024, a share award expense of approximately HK\$49,500,000 (equivalent to approximately RMB44,931,000) was recognised in profit or loss under "administrative expense".

17. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEWS

During the reporting period, the Group continuously optimize project management, strengthened production and operation capabilities, strictly controlled costs and expenditures, and achieved better operating performance. In the first half of the year, the Group continued to promote the construction of core competitiveness, upgraded the application of digital systems and intelligent facilities, encouraged process innovation, further expanded the newly established detailed design department to improve engineering capabilities, and promoted the strategy of extending the business to higher value-added transformation.

The Group actively tracks the international offshore engineering market, communicates with clients on potential market opportunities, with a view to achieving win-win cooperation and expanding regional markets and business. In terms of oil and gas services business, the Group maintains close business relationships with long term clients, participated in multiple offshore engineering services projects to consolidate the market share, and maintains stable operations.

In June this year, Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司) (“**Penglai Jutal**”), a wholly-owned subsidiary of the Company, was included in the Specially Designated Nationals and Blocked Persons List (“**SDN List**”) by the Office of Foreign Assets Control (“**OFAC**”) of the United States Department of the Treasury. The Group currently does not have any asset or business in the United States, but this matter has seriously affected intentions of some clients for the business cooperation with Penglai Jutal and is bringing uncertainties to Penglai Jutal’s potential orders and some contracts settlement, which may have a significant adverse impact on the Group’s overall business and prospects. The Group continues to assess the impact, communicates with relevant parties, and carries out various countermeasures, pays close attention to the development of the macro situation and adopts a number of measures to strengthen its risk management in operations.

Revenue

Compared with the corresponding period of last year, there has been remarkable increase of workload in the Group’s construction sites. The Group recorded a revenue of approximately RMB1,284,256,000 in the first half of 2024, representing an increase of RMB460,729,000 or 55.95% 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 increased by RMB604,715,000 or 89.32%, revenue from the fabrication of facilities and provision of integrated services for renewable energy and refining and chemical industries decreased by RMB138,790,000 or 98.42%, and other revenue decreased by RMB5,196,000 or 94.56% 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 2022, 2023 and 2024:

Product/service	For the six months ended 30 June					
	2024		2023		2022	
	RMB’000	Percentage of total revenue%	RMB’000	Percentage of total revenue %	RMB’000	Percentage of total revenue %
1. Fabrication of facilities and provision of integrated services for oil and gas industries	1,281,731	100	677,016	82	1,033,918	89
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	2,226	0	141,016	17	123,540	10
3. Others	299	0	5,495	1	9,060	1
Total	1,284,256	100	823,527	100	1,166,518	100

Cost of Sales and Services

During the reporting period, cost of sales and services of the Group amounted to approximately RMB916,755,000, representing an increase of approximately RMB287,565,000 or 45.70% compared with that of the corresponding period of last year. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current period amounted to approximately RMB811,372,000 representing approximately 88.50% of total cost of sales and services, and an increase of approximately RMB293,424,000 or 56.65% from approximately RMB517,948,000 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 was approximately RMB105,383,000, representing a decrease of approximately RMB5,859,000 or 5.27% when compared with approximately RMB111,242,000 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 RMB367,501,000, representing an increase of approximately RMB173,164,000 or 89.11% from approximately RMB194,337,000 in the corresponding period of last year. The overall gross profit margin increased to 28.62% from 23.60% 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. In addition to changes in business composition, the increase in the overall gross profit margin was mainly due to the Group's improvement in project management and strictly controlled costs, which resulted in higher gross profit in some items.

The table below sets out the analysis of gross profit by business segment for the six months ended 30 June 2022, 2023 and 2024:

Product/service	For the six months ended 30 June								
	2024			2023			2022		
	RMB '000	Gross profit margin %	Percentage of total gross profit	RMB '000	Gross profit margin %	Percentage of total gross profit	RMB '000	Gross profit margin %	Percentage of total gross profit
1. Fabrication of facilities and provision of integrated services for oil and gas industries	363,510	28	100	111,536	16	57	139,919	14	893
2. Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	4,428	199	0	83,062	59	43	(124,212)	(101)	(793)
3. Others	(437)	(146)	0	(261)	(5)	0	(34)	0	0
Total	367,501		100	194,337		100	15,673		100

Other Income

Other income of the Group for the first half of 2024 amounted to approximately RMB13,912,000, mainly comprising interest income and income from government grants.

Administrative and Other Operating Expenses

Administrative and other operating expenses in aggregate increased by approximately 60.44% or RMB63,219,000 compared with the corresponding period last year to approximately RMB167,821,000. Among them, the administrative expenses increased by RMB58,166,000, primarily resulting from the increase in the accrued employee compensation and the share based payment expense recognized in the period; And other operating expenses increased by RMB5,053,000 as compared with the corresponding period of last year.

Finance Costs

During the reporting period, the finance costs of the Group amounted to approximately RMB7,309,000 which was mainly comprised of interest expenses from bank borrowings of approximately RMB4,937,000, bank charges and other costs of approximately RMB2,372,000.

Profit for the Period Attributable to Owners of the Company

In the first half of 2024, profit attributable to owners of the Company amounted to approximately RMB177,309,000, basic and diluted earnings per share was approximately RMB8.675 cents and RMB8.673cents respectively.

Liquidity and Financial Resources

As at 30 June 2024, the balance of working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB951,065,000 (31 December 2023: RMB752,805,000). During the said period, net cash inflows from operating activities amounted to approximately RMB450,601,000, net cash outflows from investing activities amounted to approximately RMB80,496,000, and net cash outflows from financing activities amounted to approximately RMB174,361,000.

As at 30 June 2024, the Group had available undrawn banking facilities of approximately RMB61,010,000 (31 December 2023: RMB104,290,000), which consists of credit for bank loans, credit for letters of credit, etc, but exclude bank guarantees.

As at 30 June 2024, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB 300,597,000 (31 December 2023: RMB299,066,000).

Capital Structure

As at 30 June 2024, the share capital of the Company comprises 2,131,598,389 ordinary shares (31 December 2023: 1,981,598,389 ordinary shares).

As at 30 June 2024, the net assets of the Group amounted to approximately RMB2,207,451,000 (31 December 2023: RMB2,011,739,000), which comprises non-current assets of approximately RMB1,360,761,000 (31 December 2023: RMB1,363,355,000), net current assets of approximately RMB937,589,000 (31 December 2023: RMB940,405,000) and non-current liabilities of approximately RMB90,899,000 (31 December 2023: RMB292,021,000).

Significant Investment

In the first half of this year, the renovation works of the west factory area of Penglai site were in the peak level and the renovation is expected to be completed by end of 2024.

Apart from the above, the Group has no other significant investment for the six months ended 30 June 2024.

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 2024, approximately RMB61,830,000 (31 December 2023: RMB51,069,000) of the bank deposits of the Group were pledged as security deposits for the issuance of performance bonds, bank acceptance and forward foreign exchange settlement and sale contracts.

Contingent Liabilities

As at 30 June 2024, 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 2024 and as at 31 December 2023 were as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total bank borrowings	180,200	309,300
Lease liabilities	19,929	23,825
Total equity	2,207,451	2,011,739
Gearing ratio	9.07%	16.56%

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 2024 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 2024, the Group had total 2,310 employees (31 December 2023: 2,281), of which 1,063 (31 December 2023: 1,026) were management and technical staff, and 1,247(31 December 2023: 1,255) 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 the second half of the year, the Group will continue to regard market development as its core work, continue to promote the development of various businesses including offshore engineering, new energy equipment construction and technical support services, use various forms and channels to carry out market development activities, explore external opportunities for cooperation and strive to obtain sufficient new project orders.

In line with the progress of the projects, the Group may further renovate and update the site and facilities as appropriate to meet the needs of undertaking projects and enhance construction capabilities.

Nowadays, global regional conflicts continue to escalate political and economic tensions. According to the IMF's "Future Economic Outlook" for July 2024, it is expected that the global economic outlook for the next five years will remain weak, and the multilateral trading system is gradually disintegrating. More and more countries are acting independently and implementing unilateral tariffs or industrial policy measures. Despite the complex and volatile external situation, which has brought challenges to the Group's operation and business development, the Group will gather confidence, actively respond to the situation, prudently assess the possible impacts, appropriately seek solutions, and steadily promote the operation.

DIRECTORS REPORT AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK0.03 per share for the six months ended 30 June 2024.

The recommended interim dividend will be payable on Wednesday, 16 October 2024 to the shareholders of the Company whose names will appear on the register of members of the Company (the “**Register of Members**”) on Tuesday, 24 September 2024.

The Register of Members will be closed from Friday, 20 September 2024 to Tuesday, 24 September 2024 (both days inclusive). In order to establish entitlements to the recommended interim dividend, all transfers accompanied by the relevant Share certificates must be lodged with the Company’s share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Thursday, 19 September 2024.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

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 2024, 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, Mr. Tang Hui and Mr. Zhao Wuhui with monthly internal financial statements during their tenure, 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 four independent non-executive Directors. The primary duties of the Audit Committee (inter alia) are to review the financial reporting process, risk management and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The Audit Committee has reviewed the unaudited interim financial information of the Group for the period ended 30 June 2024 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, 26 August 2024

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