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 2022

Financial Highlights

- Revenue decreased by 56.02% to RMB1,750,927,000;
- Gross profit decreased by 85% to RMB42,530,000;
- For the year ended 31 December 2022, loss attributable to owners of the Company was RMB208,234,000;

  For the year ended 31 December 2021, profit attributable to owners of the Company was RMB11,024,000;
- Basic loss per share were RMB11.80cents;
- The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

The above are intended to be highlights to the salient aspects of the annual results of the Group for the year ended 31 December 2022 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 2022 together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		RMB'000	RMB'000
Revenue	4	**1,750,927**	3,981,612
Cost of sales and services		**(1,708,397)**	(3,697,996)
Gross profit		**42,530**	283,616
Other income	5	**37,374**	63,408
Reversals of impairment losses on trade and bills receivables		**21,973**	33,708
Reversals of impairment losses on contract assets/(Impairment losses on contract assets)		**2,147**	(960)
Administrative expenses		**(168,027)**	(301,642)
Other operating expenses	7	**(105,196)**	(28,733)
(Loss)/profit from operations		**(169,199)**	49,397
Finance costs	8	**(28,645)**	(29,586)
(Loss)/profit before tax		**(197,844)**	19,811
Income tax expense	9	**(10,390)**	(8,787)
(Loss)/profit for the year	10	**(208,234)**	11,024
Attributable to:			
Owners of the Company		**(208,234)**	11,024
(Loss)/earnings per share	12		
		RMB	RMB
Basic		**(11.80) cents**	0.66 cents
Diluted		**N/A**	0.65 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	RMB'000
(Loss)/profit for the year	**(208,234)**	11,024
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**27,450**	(13,348)
Other comprehensive income for the year, net of tax	**27,450**	(13,348)
Total comprehensive income for the year	**(180,784)**	(2,324)
Attributable to:		
Owners of the Company	**(180,784)**	(2,324)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**1,036,027**	1,179,349
Right-of-use assets		**397,715**	429,513
Goodwill		**52,444**	52,444
Intangible assets		**9,118**	11,046
Trade receivables, non-current	13	**3,281**	9,476
Deferred tax assets		**59,319**	54,762
		1,557,904	1,736,590
Current assets			
Inventories		**122,152**	174,945
Trade and bills receivables	13	**264,023**	419,536
Contract cost assets	14	**10,091**	7,136
Contract assets	15	**365,608**	488,216
Prepayments, deposits and other receivables		**83,513**	225,618
Derivative financial instruments		**4,015**	24,848
Current tax assets		**6,426**	6
Financial assets at fair value through profit or loss		**57,454**	-
Pledged bank deposits		**97,799**	134,310
Bank and cash balances		**610,477**	662,765
		1,621,558	2,137,380
Current liabilities			
Trade and bills payables	16	**495,283**	1,106,870
Contract liabilities	15	**128,220**	86,677
Accruals and other payables		**100,510**	111,133
Derivative financial instruments		**13,801**	-
Provisions	17	**131,917**	157,697
Bank borrowings		**205,000**	306,000
Deferred income		**6,824**	8,849
Lease liabilities		**8,399**	10,086
Current tax liabilities		**-**	9,735
		1,089,954	1,797,047
Net current assets		**531,604**	340,333
Total assets less current liabilities		**2,089,508**	2,076,923

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2022

	Note	**2022**	2021
		RMB'000	RMB'000
Non-current liabilities			
Deferred income		**14,464**	19,264
Lease liabilities		**22,558**	41,847
Bank borrowings		**259,800**	176,200
Deferred tax liabilities		**45,439**	34,145
		342,261	271,456
NET ASSETS		**1,747,247**	1,805,467
Capital and reserves			
Share capital		**17,783**	15,150
Reserves		**1,729,464**	1,790,317
TOTAL EQUITY		**1,747,247**	1,805,467

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 HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new standards, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
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
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

(a) Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by type of contract		
- Revenue from construction contracts	**1,544,552**	3,801,550
- Trading of oil and gas, chemical and new energy products	**41,912**	14,455
- Technical support services	**164,463**	165,607
	1,750,927	3,981,612

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 of oil and gas, chemical and new energy products		Technical support services		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	**19**	5,032	**41,912**	14,455	**1,743**	594	**43,674**	20,081
Goods and services transferred over time	**1,544,533**	3,796,518	**-**	-	**162,720**	165,013	**1,707,253**	3,961,531
Total	**1,544,552**	3,801,550	**41,912**	14,455	**164,463**	165,607	**1,750,927**	3,981,612

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 2022 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of oil and gas, chemical and new energy products		Technical support services	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Within one year	**608,955**	1,210,418	**-**	-	**50,528**	42,089
More than one year but not more than two years	**-**	145,549	**-**	-	**-**	2,989
More than two years	**-**	-	**-**	-	**-**	-
	608,955	1,355,967	**-**	-	**50,528**	45,078

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

	2022	2021
	RMB'000	RMB'000
Net foreign exchange gains	**9,952**	-
Compensation income	**5,740**	1,922
Government grants recognised (note a)	**10,761**	15,585
Interest income on bank deposits	**4,719**	10,019
Gains on derivative financial instruments	**-**	30,992
Reversal of other receivable previously written off (note b)	**3,063**	3,000
Gains on disposal of property, plant and equipment	**-**	171
Others	**3,139**	1,719
	37,374	63,408

Note (a): For the year ended 31 December 2022, government grants of approximately RMB3,936,000 (2021: RMB6,737,000) 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 RMB6,825,000 (2021: RMB8,848,000) 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.

The 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; and (iii) contract 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 asset 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 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)/impairment losses on trade and bills receivables, net	**(17,811)**	**(3,314)**	**(848)**	**(21,973)**
(Reversals of impairment loss)/impairment losses on contract assets	**(1,638)**	**(483)**	**(26)**	**(2,147)**
Additions to segment non-current assets	**46,895**	**1,337**	**109**	**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**
Year ended 31 December 2021				
Revenue from external customers	2,922,044	1,038,885	20,683	3,981,612
Segment profit	420,234	(137,074)	456	283,616
Depreciation and amortisation	131,204	36,664	778	168,646
Other material non-cash items:				
(Reversals of impairment losses)/impairment losses on trade and bills and other receivables, net	17,355	(50,982)	(81)	(33,708)
(Reversals of impairment loss)/impairment losses on contract assets	547	411	2	960
Additions to segment non-current assets	54,117	36,152	507	90,776
As at 31 December 2021				
Segment assets	2,185,251	720,242	28,295	2,933,788
Segment liabilities	1,318,533	180,727	15,050	1,514,310

6. SEGMENT INFORMATION (CONT'D)

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

	2022 RMB'000	2021 RMB'000
Profit or loss		
Total profit of reportable segments	**42,530**	283,616
Unallocated amounts:		
Finance costs	**(28,645)**	(29,586)
Reversals of impairment losses on trade and bills receivables	**21,973**	33,708
Reversals of impairment losses on contract assets/(impairment losses on contract assets)	**2,147**	(960)
Other income	**37,374**	63,408
Other corporate expenses	**(273,223)**	(330,375)
Consolidated (loss)/profit before tax for the year	**(197,844)**	19,811
Assets		
Total assets of reportable segments	**2,282,410**	2,933,788
Unallocated amounts:		
Bank and cash balances	**610,477**	662,765
Pledged bank deposits	**97,799**	134,310
Derivative financial instruments	**4,015**	24,848
Financial assets at fair value through profit or loss	**57,454**	-
Current tax assets	**6,426**	6
Deferred tax assets	**59,319**	54,762
Goodwill	**52,444**	52,444
Other corporate assets	**9,118**	11,047
Consolidated total assets	**3,179,462**	3,873,970
Liabilities		
Total liabilities of reportable segments	**886,887**	1,514,310
Unallocated amounts:		
Bank borrowings	**464,800**	482,200
Derivative financial instruments	**13,801**	-
Current tax liabilities	**-**	9,735
Deferred income	**21,288**	28,113
Deferred tax liabilities	**45,439**	34,145
Consolidated total liabilities	**1,432,215**	2,068,503

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) by location of assets are detailed below:

	Revenue		Non-current assets	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**334,804**	378,067	**1,498,585**	1,681,828
United States	**103,106**	453,766	**-**	-
Switzerland	**238,439**	103,743	-	-
Norway	**53,102**	174,161	-	-
Singapore	**49,493**	2,075	-	-
Japan	**-**	148	-	-
France	**608,380**	1,835,086	-	-
United Kingdom	**131,797**	952,275	-	-
Netherlands	**128,509**	71,726	-	-
Others	**103,297**	10,565	-	-
Consolidated total	**1,750,927**	3,981,612	**1,498,585**	1,681,828

Revenue from major customers:

	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 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**
Year ended 31 December 2021				
Customer C	1,778,619	-	-	1,778,619
Customer D	320,047	-	-	320,047
Customer E	65,310	886,602	-	951,912

7. OTHER OPERATING EXPENSES

	2022	2021
	RMB'000	RMB'000
Net losses on disposal of property, plant and equipment	**368**	-
Net foreign exchange losses	**-**	16,382
Impairment losses on inventories	**17,105**	4,614
Impairment losses on property, plant and equipment	**55,962**	5,317
Losses on derivative financial instruments	**26,105**	-
Impairment loss on contract cost assets	**5,072**	-
Others	**584**	2,420
	105,196	28,733

8. FINANCE COSTS

	2022	2021
	RMB'000	RMB'000
Interest on bank borrowings	**25,082**	22,935
Interest on lease liabilities	**1,552**	2,599
Others	**2,011**	4,052
	28,645	29,586

9. INCOME TAX EXPENSE

	2022	2021
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**4,422**	39,116
Over-provision in prior years	**(769)**	(740)
	3,653	38,376
Deferred tax	**6,737**	(29,589)
	10,390	8,787

(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 2022 and 2021.

9. INCOME TAX EXPENSE (CONT'D)

(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 since 28 November 2019 to 27 November 2022 (the "**Period**").

During the year, Pengai Jutal has applied and being approved to continue recognise as a new and high technology enterprise for another three years until 27 November 2025.

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

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

Zhuhai Jutal was approved to recognise as a new and high technology enterprise starting from 9 December 2020 to 8 December 2023 (the "**Period**").

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

(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 (loss)/profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2022 **RMB'000**	2021 RMB'000
(Loss)/profit before tax	**(197,844)**	19,811
Tax at the PRC enterprise income tax rate of 25% (2021: 25%)	**(49,461)**	4,953
Tax effect of income that is not taxable	**(1,355)**	(952)
Tax effect of expenses that are not deductible	**8,005**	17,622
Tax effect of tax losses not recognised	**41,783**	5,693
Deferred tax on undistributed earnings of the PRC subsidiaries	**1,295**	3,245
Tax benefit for qualifying research and development expenses	**(9,588)**	(12,677)
Over-provision in prior years	**(769)**	(740)
Effect of different tax rates of subsidiaries	**20,480**	(8,357)
Income tax expense	**10,390**	8,787

10. (LOSS)/PROFIT FOR THE YEAR

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

		2022 **RMB'000**	2021 RMB'000
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**425,451**	550,732
	Retirement scheme contributions	**37,375**	36,444
	Share-based payments	**-**	44,232
		462,826	631,408

(b) Other items:

	2022 **RMB'000**	2021 RMB'000
Amortisation of intangible assets	**1,928**	2,009
Depreciation on property, plant and equipment	**133,390**	143,913
Depreciation on right-of-use assets	**21,466**	22,724
Net loss/(gain) on disposals of property, plant and equipment*	**368**	(171)
Net foreign exchange (gains)/losses*	**(9,952)**	16,382
Research and development expenditure	**78,469**	123,665
Auditor's remuneration	**1,717**	1,693
Share-based payments paid to a consultant	**-**	1,186
Cost of inventories utilised in construction contracts and sold	**349,121**	726,237
Impairment of inventories*	**17,105**	4,614
Reversals of allowance on trade and bills receivables	**(21,973)**	(33,708)
(Reversals)/Impairment of allowance on contract assets	**(2,147)**	960
Impairment losses on property, plant and equipment*	**55,962**	5,317
Reversals of other receivables previously written off*	**3,063**	3,000
Losses/(gains) on derivative financial instruments*	**26,105**	(30,992)

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

11. DIVIDENDS

	2022 **RMB'000**	2021 RMB'000
2020 interim special dividend of HK$0.15 per ordinary share	**-**	204,930
2020 final dividend of HK$0.22 per ordinary share	**-**	307,783

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

In July 2021, the Company paid a final dividend of RMB307,783,000 (HK$0.22 per ordinary share) to the shareholders.

The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

12. (LOSS)/EARNINGS PER SHARE

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

	2022 **RMB'000**	2021 RMB'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted earnings per share	**(208,234)**	11,024

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,764,461,388**	1,664,616,937
Effect of dilutive potential ordinary shares arising from share options	**N/A**	18,207,469
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**N/A**	1,682,824,406

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

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

13. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**362,255**	548,848
Allowance for doubtful debts	**(94,951)**	(120,146)
	267,304	428,702
Bills receivables	**-**	310
	267,304	429,012

	2022 RMB'000	2021 RMB'000
Classified as:		
Trade receivables, non-current	**3,281**	9,476
Trade and bills receivables, current	**264,023**	419,536
	267,304	429,012

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:

	2022 RMB'000	2021 RMB'000
Billed		
0 to 30 days	**192,218**	249,385
31 to 90 days	**37,414**	83,267
91 to 365 days	**13,790**	25,725
Over 365 days	**73,009**	72,695
	316,431	431,072
Unbilled (note a)	**45,824**	117,776
	362,255	548,848

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 2022, unbilled balance of RMB3,281,000 (2021: RMB9,476,000) will be billed after one year from the end of the reporting date.

13. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2022, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB14,947,000 (2021: RMB18,386,000).

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

	2022	2021
	RMB'000	RMB'000
RMB	**121,307**	350,757
US$	**144,201**	77,104
Euro	**538**	-
HK$	**1,258**	1,151
Total	**267,304**	429,012

14. CONTRACT COST ASSETS

	2022	2021
	RMB'000	RMB'000
Contract cost assets	**10,091**	7,136

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:

	2022	2021
	RMB'000	RMB'000
At 1 January	**7,136**	6,150
Additions	**8,819**	1,219
Amortisation for the year	**(792)**	(233)
Impairment loss on contract cost assets	**(5,072)**	-
At 31 December	**10,091**	7,136

15. CONTRACT ASSETS / CONTRACT LIABILITIES

Contract assets

	2022	2021
	RMB'000	RMB'000
Arising from performance under construction contracts	**307,597**	443,872
Arising from performance under technical support services	**58,011**	44,344
	365,608	488,216
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	**267,304**	429,012

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, decrease in contract assets mainly due to issuance of billings for the respective contracts included in the opening contract assets balance and change in an estimate of the final contract price of a contract resulted from the net effect of increased in the liquidated damages amount and approved claims.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB87,458,000 (2021: RMB258,636,000), 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 (2021: RMB371,000).

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

Contract liabilities	**2022**	2021
	RMB'000	RMB'000
Billings in advance of performance obligation		
- Construction contracts	**123,608**	80,881
- Technical support services	**4,612**	5,796
	128,220	86,677

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:

	2022	2021
	RMB'000	RMB'000
Balance at 1 January	**86,677**	430,267
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	**(79,395)**	(426,335)
Increase in contract liabilities as a result of billing in advance of construction activities	**120,938**	82,745
Balance at 31 December	**128,220**	86,677

No billings in advance are expected to be recognised as income after more than one year for the years ended 31 December 2022 and 31 December 2021.

16. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**467,727**	1,064,500
Bills payables	**27,556**	42,370
	495,283	1,106,870

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

	2022 RMB'000	2021 RMB'000
0 to 30 days	**153,648**	803,232
31 to 90 days	**68,314**	135,846
91 to 365 days	**152,886**	66,984
Over 365 days	**92,879**	58,438
	467,727	1,064,500

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

	2022 RMB'000	2021 RMB'000
RMB	**489,090**	1,103,859
US$	**6,028**	2,772
HK$	**113**	104
EUR	**52**	135
Total	**495,283**	1,106,870

17. PROVISIONS

	Warranty provision (note (i))		Provision for onerous contract (note (ii))		Total	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**79,583**	46,506	**78,114**	22,035	**157,697**	68,541
Additional provisions	**9,150**	46,920	**72,232**	56,079	**81,382**	102,999
Provisions used	**(58)**	-	**-**	-	**(58)**	-
Unused provisions reversed	**(28,990)**	(13,843)	**-**	-	**(28,990)**	(13,843)
Provisions reversed upon completion of the contract	**-**	-	**(78,114)**	-	**(78,114)**	-
At 31 December	**59,685**	79,583	**72,232**	78,114	**131,917**	157,697

Note:

(i) The warranty provision represents the Group's best estimate of the Group's liability under 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

RSM Hong Kong 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 2022, 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 2022, 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 opening balances and the comparative figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Company for the year ended 31 December 2021 of which our auditors' report dated 31 March 2022 expressed a qualified opinion. The matter which resulted in qualified opinion is as follows:

As stated in note 5(j) to the consolidated financial statements, as at 31 December 2021, the management of the Group estimated the provision for liquidated damages for the delay in progress of a contract at an amount of RMB65,000,000.

However, pursuant to the terms of the contract, a subsidiary of the Group is liable to liquidated damages if the shipments of equipment are delayed. The first few shipments of the above mentioned contract were delayed considerably in 2021. The liquidated damages calculated strictly under the terms of the contract were materially in excess of the amount provided. Nevertheless, management is of the opinion that the delay was due to many reasons and a number of which were beyond their control and the management was still in negotiation with the customer on the final amount of the liquidated damages as at 31 December 2021.

In August 2022, the contract was completed, and the Group had reached an agreement with the customer. The final liquidated damages amount was increased to RMB138,600,000. The difference of RMB73,600,000 was accounted for and charged to the profit or loss account for the year ended 31 December 2022.

In view of the above circumstances, we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the provision for liquidated damages recognised in the statement of financial position as at 31 December 2021 and the corresponding charge to profit or loss for the years ended 31 December 2022 and 31 December 2021 respectively.

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

In August, 2022, the Group reached an agreement with the customer on the amount of liquidated damages for the delay and the compensation for extra work related to the contract. The final liquidated damages amount is RMB 138,600,000, while the customer compensated the Company RMB 29,000,000 for the performance of extra work. The amount and financial impact have been fully reflected in the financial statements as at and for the years ended 31 December 2021 and 2022, and will not affect the Group's financial position and operating results after 31 December 2022. It will not have a potential adverse impact on the Company's continuing operations.

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. In the auditor's opinion, the audit evidence obtained by them is still insufficient to prove that the carrying value of the liquidated damages reserve recognized in the statement of financial position on 31 December 2021 and the amount recorded in the profit and loss for the years ended 31 December 2021 and 31 December 2022 respectively are appropriate and in accordance with the HKFRS.

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 that the auditor was unable to obtain sufficient appropriate audit evidence to determine the appropriateness of recording the profit and loss amount for the years ended 31 December 2021 and 31 December 2022 respectively. The Audit Committee is of the view that the matter giving rise to the qualified opinion has been resolved following the Group's agreement with the Client in August 2022 and such final amounts and financial impact have been fully reflected in the financial statements as at and for the years ended 31 December 2021 and 31 December 2022.

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

In 2022, the global political and economic situation faced multiple challenges. The COVID-19 pandemic continued to drag on, geopolitical conflicts escalated, and the world economy, after a sharp rebound from the deep recession in 2021, suffered from a lack of growth momentum and a sharp decline in growth. According to the report of the World Energy Outlook 2022 released by the International Energy Agency (IEA) in October 2022, the world is currently facing a severe energy crisis, especially in Europe. The Russia-Ukraine conflict, which began in February 2022, has exacerbated the energy crisis, with broad and far-reaching implications for global energy supplies. The IEA believes that the prospect of this energy crisis remains uncertain, and uncertainties caused by, among other things, the prolonged Russia-Ukraine conflict and social attitudes towards clean energy transition, will have an important impact on the energy mix and prices. The current energy crisis has made ensuring the security of energy supply a core issue for all countries.

Under this macro situation, some projects that the Group is implementing have also been affected, some have been suspended or delayed, and some still have not been chosen to be built in China due to various factors. Due to the large losses of some large projects undertaken by the Group at Zhuhai site, and the failure of the Group to achieve the expected return in terms of large market orders in 2022, there was a significant decrease in the workload for 2022 as compared with that of the previous year, and the assets of the Zhuhai site also suffered impairment losses, which affected the Group's business performance in 2022.

The Group has a total of 15 projects in operation at the Penglai site in 2022, of which 8 projects have been completed and successfully delivered. During the year, all projects achieved the main quality objectives and won customer satisfaction. Lost workday incident rate has been kept at zero for eight consecutive years, and a total of 116 million safe working hours without lost workday have been achieved, fulfilling all targets for the annual health, safety and environmental protection.

In the two and a half years since the construction of the core modules for the production line of Arctic LNG2 project started at the end of 2019, all teams have worked together to carry out work safely and achieve the project objectives. Despite the fact that the Group had been facing the largest, most complex and most challenging single project in the history of the Group, the Penglai site of the Group overcame the tight project schedule, high standards, strict requirements and the impact of the COVID-19 pandemic in the past two years, creating 25 million safe working hours and winning high recognition from customers for its excellent safety, quality and commissioning performance.

During the year, the Group delivered a number of floating production, storage and offloading unit (FPSO) outer turret mooring system projects, one of which is the largest single point mooring project undertaken by the Group to date. The successful delivery of these projects marks an important leap in the Group’s construction capability of large complex single point mooring projects, and deepens the good cooperation relationship with customers, laying a solid foundation for the subsequent undertaking of international large complex high standard single point mooring projects.

In 2020, the Group’s Zhuhai site undertook a number of projects, including the construction of offshore wind power equipment in Europe, the construction of topside modules for FPSO, the manufacturing of subsea oil and gas production equipment and offshore floating wind power equipment. In addition to the continuous impact of COVID-19, due to the lack of understanding of quality requirements and construction difficulty as well as various problems such as production organization and management, the project progress was materially behind schedule at the early stage, resulting in a significant increase in costs incurred for crashing the schedule, and delay in the project delivery, leading to a large loss for Zhuhai site. The Group adjusted the management team of the Company, took active measures to solve the problems faced by Zhuhai site in project execution, and adjusted and optimized the management architecture for Zhuhai site in the second half of 2021. Meanwhile, the Group actively communicated with customers in the relevant work, organized resources, improved the construction efficiency, and speeded up the construction progress. The subsequent construction work of the European offshore wind power jacket project was transferred to the more capable Penglai site. The project team carefully planned the production capacity, strengthened the construction schedule management, made real-time adjustments to the actual production capacity according to the demand plan, ensured the on-time production of each process, rationally planned and utilized the site resources, and completed the final delivery in August 2022 to rebuild the trust of customers.

In order to strengthen the operation and management of the Company and improve its market competitiveness, the Group also further adjusted the operation and management team, optimized and streamlined the personnel and management structure, vigorously promoted the work of savings and efficiency, and sorted out all aspects of the operation. The Group formulated plans, strengthened personnel's ideological consciousness, implemented into practical actions, strictly controlled various expenses, and improved productivity and made it a long-term action.

PROSPECTS

At present, various short-term problems and long-term factors in the global economy are interwoven. The adverse factors facing economic growth are on the increase compared with the past, and the world economic recovery is expected to face greater pressure in 2023. In terms of global energy policy, although it serves its core to accelerate energy transformation and achieve carbon emission reduction goals, investment in fossil fuels is still indispensable in the process of energy transformation to maintain the balance between supply and demand, cope with the current energy crisis and ensure energy supply. The construction of traditional energy projects is also accelerating.

Looking forward to the new year, we will see more market opportunities despite a challenging situation full of uncertainties. The Group will take the market work as the primary focus, keep an eye on the energy market pattern, formulate medium and long-term strategic layout, and actively develop the market with an enterprising spirit. As China fully deregulates the control of the epidemic, the Group will strengthen the bidding force, expand the bidding personnel, go deep into the market and customers, closely track the projects to be started in the next two years, strengthen the contact with customers, formulate a good bidding strategy, improve the bidding quality and efficiency, and make every effort to do a good job in market development, especially in the targeted Chinese and overseas markets. On the basis of risk identification and control, we should keep up with market opportunities.

In the new year, the Group will continue to strengthen core competence construction, clarify the core business plan of the Group, establish core competence construction plan of professional departments, study the direction of product expansion, develop design ability and management ability of related areas, oversee project implementation, and combine the marketing strategy to determine and achieve the annual target. In terms of operation and management, it will optimize and comb redundant business processes, focus on the training of key business links and key personnel, attach importance to the study of professional technologies, improve business capabilities, and develop comprehensive energy service capabilities in multiple systems and fields around the core market and advantageous products of the Group.

The Group will also continue to increase investment to retrofit existing site facilities to enhance construction capacity and delivery capacity, based on conditions of market and projects.

Cost reduction and efficiency improvement will serve as a long-term strategic action of the Group. All business departments have also established many measures to continue to deepen the cost reduction mechanism, control costs and expense, improve management efficiency, enhance performance assessment, strengthen budget control, establish a gross profit target-centered project assessment mechanism, promote procurement and subcontracting management, and ensure that the reform provide clear results and higher competitiveness.

The Group takes zero accident, zero injury and zero pollution as the highest pursuit goal. It pays attention to risk and safety management, implements the caring guidelines, carries out green factory construction, improves resource utilization rate, reduces production cost, and continuously creates value for related partners, so as to realize green and sustainable development.

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial and business review

Revenue

As compared with last year, the workload of the Group's construction sites this year reduced significantly. In year 2022, the Group recorded a revenue of approximately RMB1,750,927,000 representing a decrease of 56.02% or RMB2,230,685,000 as compared with year 2021. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and natural gas industries decreased by 46.28% or RMB1,352,195,000 as compared with that of year 2021. Revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries decreased by 83.91% or RMB871,743,000 as compared with that of year 2021. Other revenue mainly derived from the provision of technical support services for shipbuilding industry. The revenue from such business decreased by 32.62% or RMB6,747,000 as compared with that of last year.

The table below sets out the analysis of revenue by business segments for the years 2022, 2021 and 2020 respectively:

		For the financial year ended 31 December					
		2022		2021		2020	
	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**	**1,569,849**	**90**	2,922,044	73	2,844,666	78
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**167,142**	**9**	1,038,885	26	779,120	21
3.	**Others**	**13,936**	**1**	20,683	1	23,397	1
	Total	**1,750,927**	**100**	3,981,612	100	3,647,183	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB1,708,397,000 in year 2022, representing a decrease of 53.80% or RMB1,989,599,000 as compared with RMB3,697,996,000 in year 2021. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB1,418,338,000, representing 83.02% of the total cost of sales and services, and a decrease of RMB1,945,776,000 or 57.84% from RMB3,364,114,000 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 has decreased by RMB43,823,000 or 13.13% from RMB333,882,000 of the corresponding period of last year to approximately RMB290,059,000 in current reporting period.

Gross profit

The total gross profit of the Group for the year 2022 amounted to approximately RMB42,530,000, representing a decrease of 85% or RMB241,086,000 as compared with RMB283,616,000 in year 2021. The overall gross profit margin dropped to 2.43% from 7.12% of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and natural gas industries dropped from 14.38% in year 2021 to 6.55%. The gross profit margin of the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries dropped from negative 13.19% in year 2021 to negative 36.43%. The gross profit margin of other businesses rose from 2.21% in year 2021 to 4.02%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The substantial decrease in the overall gross profit margin was mainly due to that some projects carried out at the Zhuhai site were behind schedule, costs increased, and the liquidated damages for delayed delivery of a contract increased compared to the original estimated amount, resulting in a large loss. In addition, the workload of the Group's construction sites in year 2022 was significantly reduced, resulting in a significant decrease in the recognized contract revenue, while the indirect manufacturing costs of the sites were not reduced in the same proportion.

The following shows the breakdown of gross profit / (loss) by business segments for the years 2022, 2021 and 2020 respectively:

		For the financial year ended 31 December								
		2022			2021			2020		
	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**	**102,857**	**6**	**242**	420,234	14	148	375,425	13	84
2	**Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries**	**(60,886)**	**(36)**	**(143)**	(137,074)	(13)	(48)	72,204	9	15
3	**Others**	**559**	**4**	**1**	456	2	0	120	1	1
	Total	**42,530**		**100**	283,616		100	447,749		100

Other income

Other income of the Group in year 2022 amounted to approximately RMB37,374,000, mainly comprising interest income, exchange gain and income from government grants.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate decreased by 17.30% or RMB57,152,000 as compared with that of year 2021 to approximately RMB273,223,000. Among them, the administrative expenses decreased by RMB 133,615,000 as compared with that of year 2021, mainly due to the fact that there was no share option expenses incurred and the employee compensation decreased significantly in year 2022; Other operating expenses increased by RMB76,463,000 as compared with that in 2021, mainly due to that the impairment loss of assets recognized in year 2022 and the loss caused by foreign currency forward settlement contracts.

Finance costs

Finance costs in aggregate amounted to approximately RMB28,645,000 in year 2022, which was mainly comprised of interests on bank borrowings of approximately RMB25,082,000 and bank charges and other finance costs of approximately RMB3,563,000.

Loss attributable to owners of the Company and loss per share

In summary, in year 2022, loss attributable to owners of the Company amounted to approximately RMB208,234,000, which represented a decrease from profit recorded in year 2021 of RMB11,024,000 by RMB219,258,000. Basic loss per share attributable to owners of the Company for year 2022 were RMB11.80 cents.

2. Liquidity and financial resources

As at 31 December 2022, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB610,477,000 (2021: RMB666,970,000). During the year, net cash outflow from operating activities amounted to approximately RMB125,362,000, net cash outflow from investing activities amounted to approximately RMB53,244,000, and net cash inflow from financing activities amounted to approximately RMB95,487,000.

As at 31 December 2022, the Group had approximately RMB385,140,000 (2021: RMB397,830,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc. but exclude bank guarantees.

As at 31 December 2022, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB419,276,000 (2021: RMB883,331,000).

3. Capital structure

As of 31 December 2022, the share capital of the Company comprises 1,981,598,389 ordinary shares (2021: 1,681,306,389 ordinary shares). As at 31 December 2022, net assets of the Group amounted to approximately RMB1,747,247,000 (2021: RMB1,805,467,000), comprising non-current assets of approximately RMB1,557,904,000 (2021: RMB1,736,590,000), net current assets of approximately RMB531,604,000 (2021: RMB340,333,000) and non-current liabilities of approximately RMB342,261,000 (2021: RMB271,456,000).

4. Significant investment

At 31 December 2022, the Group had investments in unlisted private funds with carrying amount of RMB57,454,000.

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 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 business contracts.

6. Assets pledged by the Group

As at 31 December 2022, approximately RMB97,799,000 (2021: RMB134,310,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance.

7. Contingent liabilities

As at 31 December 2022, 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 2022 and at 31 December 2021 were as follows:

	2022	2021
	RMB'000	RMB'000
Bank borrowings	**464,800**	482,200
Lease liabilities	**30,957**	51,933
Total equity	**1,747,247**	1,805,467
Gearing ratio	**28.37%**	29.58%

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

9. Employees and remuneration policy

As at 31 December 2022, the Group had total 2,739 employees (31 December 2021: 3,512 employees), of which 1,204 (31 December 2021: 1,475) were management and technical staff, and 1,535 (31 December 2021: 2,037) 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 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 2022.

AUDIT COMMITTEE

The audit committee of the Company comprises of one non-executive director and three independent non-executive directors. The audit committee has reviewed the consolidated results of the Group for the year ended 31 December 2022.

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 for the year ended 31 December 2022, 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 two board members, namely Mr. Cao Yunsheng and Mr. Liu Yunian, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code as set out in Appendix 14 of the Listing Rules is to enhance the Company's efficiency.

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 2022.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary 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 2022 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2023

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