ANTON 安東

安東油田服務集團

# Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

# 2021 ANNUAL REPORT


# CONTENTS

# ABOUT ANTON

Anton Oilfield Services Group (Hong Kong Stock Exchange Stock Code: 3337) (“Antonoil” or the “Company”, together with its subsidiaries, the “Group”) is a leading integrated oilfield engineering and technical services provider. The Group provides clients with a full range of products and services for oil and gas development, with business throughout the world’s major oil and gas production areas. The Group is an innovative company combined with the geological engineering and features production increase, cost reduction and integration. The Group is committed to the development of global oil and gas development in emerging markets. Its business covers many countries and regions, including China, the Middle East, Africa, central Asia, southeast Asia and Latin America, forming a rapidly responsive global service support system. The Group provides a full range of products and services in the oil and gas development process to meet the diverse needs of clients and help them maximize the value of oil and gas assets. The Group’s corporate culture is rooted in the traditional oriental culture. The Group’s core values are Client-driven, Hard-working, Learning and innovation. The Group’s mission is to help others succeed, share the fruits of success with employees internally and achieve win-win development with partners externally. The Group’s vision is to be a model of high efficient and harmonious development between man and environment. In every construction work scene, the Group is committed to achieving the standard of “superior in execution” and creating value for clients to the maximum extent. In the process of development, the Group is committed to promote social progress and achieve harmonious development with the society.

## BUSINESS

Aiming to be a global leading oilfield technical services provider in the long term, the Group has constructed its full-round services system, surrounding the objective of helping to maximize the asset value of oilfield customers. This full-round services includes providing customers with solutions to maximize reservoir assets, providing precise engineering and technical services based on our profound reservoir geology research and understanding, and integrated oilfield management services; Providing customers with solutions to maximize the value of ancillary assets, such as inspection services, asset leasing services; Providing series of solutions to help customers improve the efficiency of oilfield operation and management, including digital technology-related services, oil industry information services and the establishment of future-oriented New Business, including low-carbon and new energy business, innovative investment, etc., to comprehensively satisfy customers’ full range of needs.

The Group had adopted a business strategy names “multi-entity operation” in 2021, aims to foster the Group’s business growth by separating the businesses with different business model and operating each of them independently for a full play of each business’s advantage and a maximized efficiency. Meanwhile, through the independent operation of these multiple business entities, the financial performance of different business segments with different business models can be more clearly reflected. To implement this strategy, the Group has re-classified its business segments from the previous three segments of “drilling technology services”, “well completion services” and “oil production services” into four segments of “inspection services”, “oilfield management services”, “oilfield technical services” and “drilling rig services”. The four business segments are briefly introduced as follows:

## INSPECTION SERVICES

"Inspection services" includes various technical services provided by the Group for the efficient operation of customers' oil and gas field equipment, facilities and assets, including inspection and repair, intelligent monitoring, and digital and intelligent management services of various equipment and facilities, so as to help customers reduce costs, ensure asset safety, achieve energy conservation and efficiency, safety and environmental protection.

## OILFIELD MANAGEMENT SERVICES

"Oilfield management services" is a premium light asset management service. The Group has strong integrated service capabilities and provides integrated comprehensive management services for oilfield assets of global oil companies, including comprehensive oilfield management services, capacity construction, oilfield development management, and oilfield operation and maintenance.

### Integrated Oilfield Management Services

The integrated oilfield management service aims at oil and gas production and stable production operation, and provides integrated and comprehensive management general contracting including reservoir support, operation management, production operation, HSE, logistics, third-party service provider management, etc., to help customers achieve Efficient development of oil and gas fields to maximize the value of oil and gas resources.

### Oilfield operation and maintenance services

Oilfield operation and maintenance services are mainly engaged in engineering contracting, commissioning, operation and maintenance management of oil and gas field surface equipment and facilities and supporting public equipment and facilities. With standardized team management, international service team, high-standard QHSE requirements, professional technical services, the Group are committed to providing safe, economical, efficient and high-quality integrated management services for well stations, surface facilities operation management services, preventive maintenance And inspection and maintenance management services.

## OILFIELD TECHNICAL SERVICES

"Oilfield technical services" is a technical service business with traditional advantages of the Group. Taking reservoir geology technology as the core, it provides customers with geological technology, drilling technology, well completion technology, stimulation technology services and asset leasing services in the industry, so as to improve customer resource development efficiency, energy conservation and emission reduction with precise services.

### Drilling Technical Services

Drilling technology services provide customers with integrated general contracting and expertised individual technical services such as drilling acceleration, directional drilling and drilling fluid etc.

### Well Completion Technical Services

Well completion technical services provide customers with integrated completion solutions for oil and gas wells, with integrated services such as completion tools and technologies, sand control technologies, water control and intelligent completion, artificial lift technologies and services, and drainage gas recovery technologies. Leading the continuous innovation of the completion process through intelligent completion products.

### Stimulation Technical Services

Through the combination of geological engineering, the stimulation technology service provides a series of solutions featuring the stimulation of unconventional oil and gas reservoirs. It has mature oil and gas field stimulation technology design and services, sufficient pumping equipment resources and perfect trial repair equipment.

### Asset Leasing Services

Asset leasing services provide the petroleum industry with complete oil and gas exploration and development process oil equipment, covering geological survey, seismic exploration, drilling, downhole operations, logging, well completion, testing, oil and gas production, oil and gas gathering and transportation and other development processes. Leasing services of various types of oil drilling rigs, fracturing trucks, cementing modules, power modules, oil pipes, etc., can carry out evaluation, testing, remanufacturing, remote tracking, data for all types of oil equipment Professional technical services such as analysis, upgrading, operation management, etc., are one-stop technical service terminals for petroleum equipment, maximizing the profitability of petroleum equipment and reducing operating costs for oilfield customers.

## DRILLING RIG SERVICES

"Drilling rig services" provides customers with related services that require drilling rigs and equipment, including drilling and well workover services that require drilling rigs. It can combine the Group's existing high-quality drilling technology, utilizing its own drilling rigs with integrate industry resources to achieve low investment and high-efficiency services.

# FINANCIAL SUMMARY

## CONDENSED CONSOLIDATED INCOME STATEMENTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| **RMB ('000)** | 2017 | 2018 | 2019 | 2020 | **2021** |
| Revenue | 2,202,702 | 2,935,888 | 3,589,497 | 3,087,652 | **2,923,566** |
| Other gains, net | 9,674 | 11,932 | 176 | 40,279 | **24,919** |
| Operating costs | (1,738,682) | (2,303,557) | (2,870,091) | (2,803,400) | **(2,519,006)** |
| Operating profits | 473,694 | 644,263 | 719,582 | 324,531 | **429,479** |
| Finance costs, net | (267,872) | (297,454) | (295,133) | (293,933) | **(252,170)** |
| Profit before income tax | 204,921 | 347,164 | 425,211 | 30,739 | **176,084** |
| (Loss)/Profit for the year | 171,274 | 250,721 | 282,420 | (83,760) | **75,350** |
| Attributable to:<br>Equity holders of the Company | 54,495 | 222,423 | 268,583 | (95,844) | **72,218** |
| Non-controlling interests | 116,779 | 28,298 | 13,837 | 12,084 | **3,132** |
| Dividends | – | 30,317 | – | – | **–** |
| *(Loss)/Earnings per share attributable to the equity holders of the Company during the year (expressed in RMB per share)*<br>Basic | 0.0206 | 0.0792 | 0.0894 | (0.0322) | **0.0249** |
| Diluted | 0.0205 | 0.0783 | 0.0889 | (0.0322) | **0.0246** |

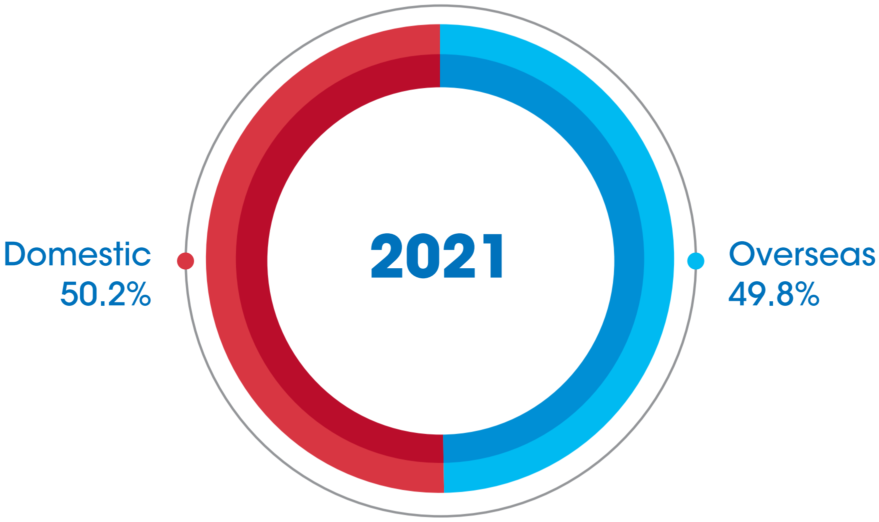


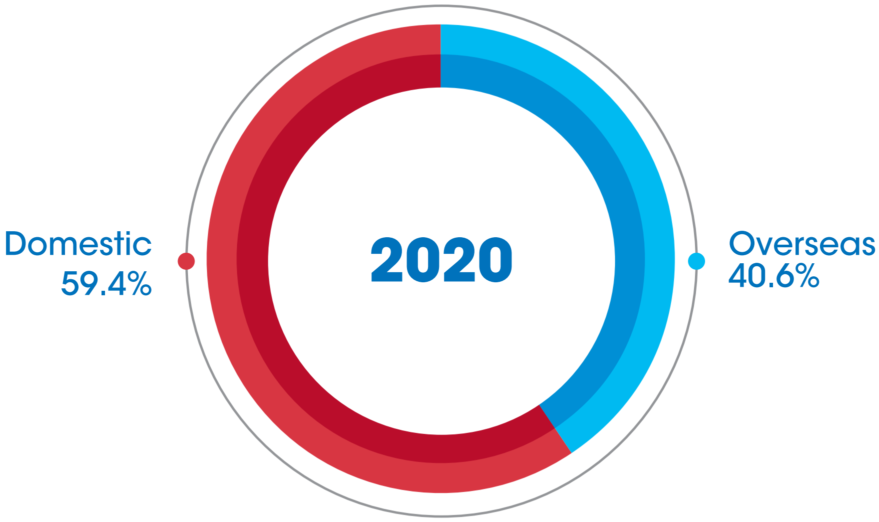
## CONDENSED CONSOLIDATED FINANCIAL POSITION

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| **RMB ('000)** | 2017 | 2018 | 2019 | 2020 | **2021** |
| **Assets** | | | | | |
| Non-current assets | 3,367,768 | 3,002,465 | 3,025,898 | 2,847,367 | **2,709,437** |
| Current assets | 4,379,707 | 4,244,136 | 6,480,914 | 5,033,754 | **5,439,928** |
| Total Assets | 7,747,475 | 7,246,601 | 9,506,812 | 7,881,121 | **8,149,365** |
| Total Equity | 2,946,992 | 2,694,562 | 2,957,663 | 2,763,721 | **2,828,161** |
| **Liabilities** | | | | | |
| Non-current liabilities | 1,932,702 | 2,305,184 | 2,310,327 | 2,028,782 | **996,120** |
| Current liabilities | 2,867,781 | 2,246,855 | 4,238,822 | 3,088,618 | **4,325,084** |
| Total liabilities | 4,800,483 | 4,552,039 | 6,549,149 | 5,117,400 | **5,321,204** |
| Total equity and liabilities | 7,747,475 | 7,246,601 | 9,506,812 | 7,881,121 | **8,149,365** |
| Net current assets | 1,511,926 | 1,997,281 | 2,242,092 | 1,945,136 | **3,411,146** |
| Total assets less current liabilities | 4,879,694 | 4,999,746 | 5,267,990 | 4,792,503 | **3,824,281** |

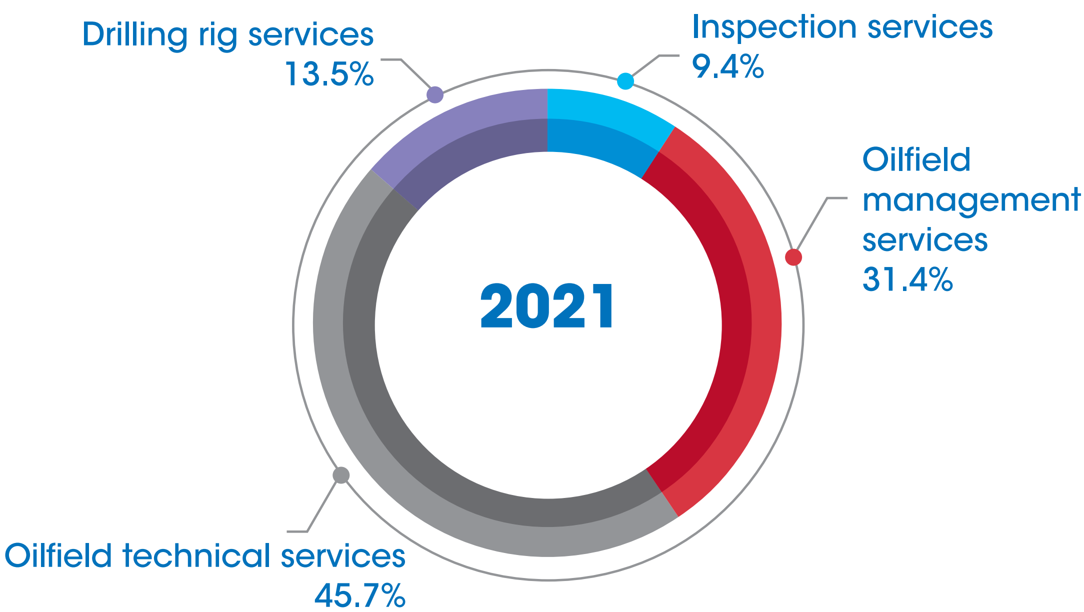
# FINANCIAL HIGHLIGHT

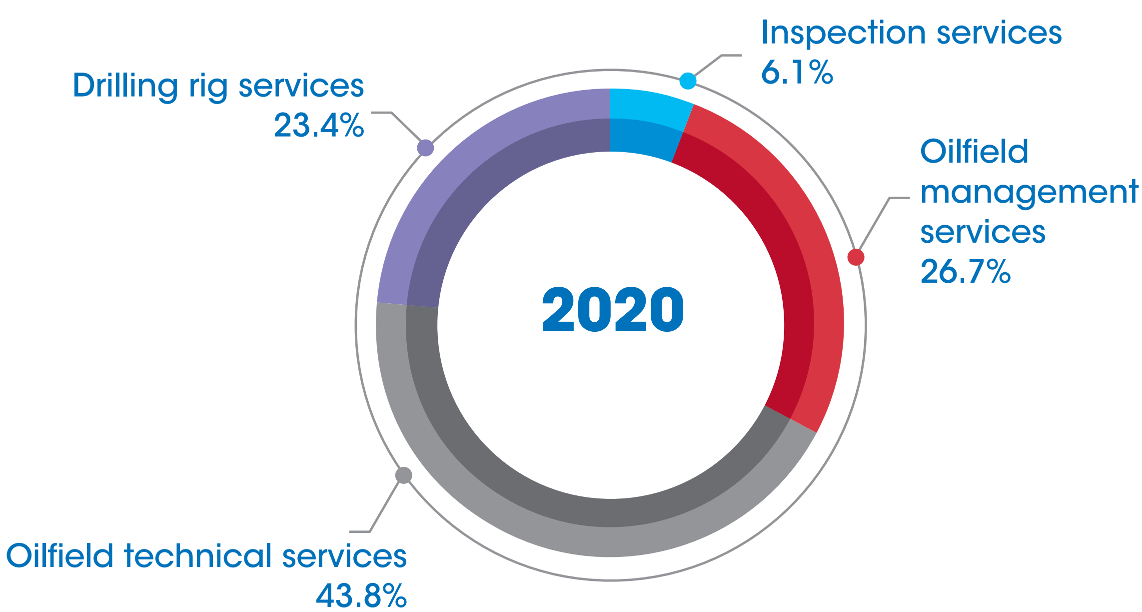
## REVENUE BREAKDOWN BY REGION



## REVENUE BREAKDOWN BY BUSINESS CLUSTERS



# CHAIRMAN'S STATEMENT

**LUO Lin**
*Chairman*

Dear Shareholders,

In 2021, despite the challenges brought by the COVID-19, we have achieved steady business recovery by implementing the "Brand-new Anton" strategy continuously, while have made good progress in all aspects. Our business highlights in 2021 are summarized in the following key aspects:

1. **We secured the global core markets through "positional fighting strategy" and the new landscape of globalized market is unfolding.**
   In 2021, while the international market has entered the post pandemic era of new normals, our international business also recovered. Our revenue from international markets increased by 16%, and the new orders from the international market also rose by 53% compared with 2020.

2. **We further optimized our business structure and provided "all-round" services to maximize customers' asset values.**
   Since the implementation of the "Brand-new Anton" strategy, we have speeded up our business transformation through optimizing the resource allocation for asset-light businesses. In order to better reflect the performance of our new business structure, we have re-divided the three reporting segments based on oilfield development processes, namely drilling technology, well completion and oil production services, into four new segments based on business models, including inspection services, oilfield management services, oilfield technical services and drilling rig services. In 2021, asset-light business inspection and evaluation services and oilfield management services recorded positive growth.



3. **We implemented the strategy of precision engineering technology and successfully applied a number of new technologies.**
On technology development, our precision engineering technology strategy was successfully implemented during the year. Leveraging on our reservoir geology study, we provided customers with more precise technical services that combine geology and engineering. In the shale gas market in Southwest China, we helped customers to apply more precise fracturing technology through reservoir study and crustal stress analysis, making tested production 21% higher than wells in the same area and increasing the production value of shale gas reservoirs. To maintain a stable storage capacity of the gas storage, we have applied the visual optical fiber testing technology to the construction of the gas storage through studies on the formation, which has significantly improved the injection-production ratio.

4. **We strengthened our internal capabilities and continued to create values.**
In terms of management, 2021 was a year for us to fully consolidate our internal strengths. Emphasizing on the four focus areas, namely consolidating the foundation, enhancing cultural quality, managing with information technology and promoting comprehensive innovation, our internal capabilities have been substantially strengthened and the management efficiency has been improved. The gross profit margin for the year increased by 4.6 percentage points. With our excellent HSE management performance, the oilfield management projects have been running smoothly for several consecutive years during the contract periods and are highly recognized by our customers. Both the Majnoon oilfield and OPIC projects were successfully renewed with the customers.

5. **We carried out proactive debt management and optimized the bond maturity structure.**
We proactively carried out debt management. In July 2021, we issued US$150 million of bonds due 2025, replacing part of the 2022 bonds, and also divided the 2022 bonds into two tranches of different maturities and scales in order to optimize the bond term structure and reduce the maturity risk. Meanwhile, we closely monitored the capital market changes and repurchased more than US$50 million of 2022 bonds in the secondary market during the year, which further reduced the balance of 2022 bonds.

6. **We promoted new energy transformation and fulfilling social responsibility, becoming a role model in the industry.**
We fulfill our ESG commitments. On environment, we actively facilitated customers' adoption and development of new energy through applying our technology to CCUS, gas storage and other projects. We also promoted photovoltaic power generation in oil fields to help customers reduce carbon emissions. In 2021, our achievements in social responsibility were awarded the "Capital Labor Award". We are committed to building a clean workplace and joined the "Anti-Corruption Alliance" of China.

## OUTLOOK FOR 2022

From the perspective of the overall market environment, the upstream oil and gas development has been lacking investment in the past few years. Under the influence of the conflict between Russia and Ukraine, the problems of supply shortage and energy security have become more prominent. Oil prices have been trending upwards, once topping US$130/barrel the highest level since 2014. It is expected the major oil-producing countries in the world will increase investments to boost the supply in the future, which will start a new cycle for the industry. With ample industry opportunities ahead, the Brand-new Anton is fully prepared to seize the opportunities and strive to achieve high growth.

In terms of market, we will vigorously explore key markets for global oil and gas development and strive to win high-quality orders. For overseas, we will mainly develop markets in the Middle East including Iraq and markets in countries such as Chad and Niger in Africa, and at the same time plan for emerging markets such as Southeast Asia. In China, under the background of energy security and carbon peaking and carbon neutrality policy, natural gas plays a more important role. We will firmly grab the market opportunities in conventional gas, tight gas, coalbed methane and shale gas, and further develop our business in China.

In 2022, we will continue to build an ecological development platform and upgrade the Brand-new Anton. Our ecological development platform will be supported by information technology, operation management, a working environment of innovation culture, and will be deployed in our global market network. By enhancing our reservoir geological research capabilities and oil industry information network, we may promote the ecological development of Anton's own business and technology partners' businesses on the platform in a multi-subject manner, creating value for customers and realizing our vision.

Facing the great opportunities in the industry, we not only pursue high growth, but also high-quality growth. In 2022, we shall continue to operate with free cash flow and return on equity as core indicators to achieve promising results. On the basis of free cash flow, we will continuously enhance liquidity to ensure financial security.

Sustainable development is always our management goal. We will further strengthen our information management while fully implement the OKR work method. Through realizing the key results one by one, we will fully move towards our strategic goals. In terms of business, through reservoir geology technology and promotion of new products and new technologies, and development of new energy, we will assist customers to enhance their overall business processes, implement transformation, and optimize the entire process of oil and gas field development, allowing us and our customers to create higher values with lower emissions.

## ACKNOWLEDGEMENT

On behalf of the board of directors, I would like to express my sincere thanks to all customers, employees, partners and shareholders. Thanks to your long-term trust and support, we can tide over the difficult times and keep making new achievements. In 2022, the industry has shown a strong growth momentum. The Group has made all preparations. Anton will seize the opportunities to achieve breakthroughs and high growth. We believe that, with our continuous advancements and Brand-new Anton, we will realize long-term and sustainable development!

**Luo Lin**
*Chairman*

29 March 2022

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. LUO Lin
Mr. PI Zhifeng
Mr. FAN Yonghong

### Non-executive Director

Mr. HUANG Song

### Independent Non-executive Directors

Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Mr. WEE Yiaw Hin

## AUDIT COMMITTEE

Mr. ZHU Xiaoping (Chairman)
Mr. ZHANG Yongyi
Mr. WEE Yiaw Hin

## REMUNERATION COMMITTEE

Mr. WEE Yiaw Hin (Chairman)
Mr. ZHU Xiaoping
Mr. LUO Lin

## NOMINATION COMMITTEE

Mr. ZHANG Yongyi (Chairman)
Mr. WEE Yiaw Hin
Mr. LUO Lin

## ESG ("ENVIRONMENT, SOCIETY AND GOVERNANCE") COMMITTEE

Mr. PI Zhifeng (Chairman)
Mr. LUO Lin
Mr. FAN Yonghong

## AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Ms. Nelly AU-YEUNG

## COMPANY SECRETARY

Ms. Nelly AU-YEUNG

## COMPANY'S WEBSITE

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## INVESTOR RELATIONS HOTLINE

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Email: ir@antonoil.com

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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## PRINCIPAL PLACE OF BUSINESS IN PRC

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Beijing, China 100102

## REGISTERED OFFICE

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Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Camana Bay Grand Cayman KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

### as to Hong Kong and U.S. law:

Sidley Austin

### as to PRC law:

Tiger Partners

### as to Cayman Islands law:

Maples and Calder

## PRINCIPAL BANKS

Citi Bank
Shanghai Pudong Development Bank
China Merchants Bank
Industrial Bank Co,. Ltd

## STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3337

## DATE OF LISTING

14 December 2007

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2021, although the global oil and gas demand gradually recovered from a severe hit by the 2020 epidemic, the pace of oil and gas supply was slower than the increase in demand, oil and gas prices rose sharply during the year.

With the recovery of oil prices, the Group's overseas customers started to speed up their pace of oil and gas development gradually. Existing projects were resumed quickly, and new projects were steadily advanced. The Group actively sought project opportunities and orders in overseas markets increased significantly by 53.2% during the year compared to last year. In terms of project execution, the pace of project execution was slightly slower than before the epidemic, as the construction efficiency of projects was still affected by the persistent epidemic overseas and the emergence of new highly infectious mutated strains. In the Chinese market, to respond to the national strategy of vigorously developing unconventional resources and increasing oil and gas self-sufficiency, there were strong demand for oil and gas development and ample opportunities for projects in the domestic market. However, as oil company clients were strictly maintaining the strategy of price compression implemented during the 2020 epidemic in terms of service prices, to secure new orders, the Group continuously promoted asset-light transformation, strictly implemented a business strategy that took cash flow and return on net assets as primary considerations, and imposed a strict control over projects by selectively participating in the bidding of high-quality market projects and actively pursuing high-quality orders. During the year, the asset-light inspection business of the Group continuously recorded rapid growth.

From the Group-wide perspective, in 2021, the Group's business steadily recovered despite the ongoing epidemic. Although revenue decreased by 5.3% due to the impact of the epidemic on project execution efficiency, the Group's profit attributable to equity holders increased by 175.4% because of its asset-light transformation, strict cost control through continuous refined management as well as the improvement in management efficiency as a result of information construction. In addition, new orders for the year increased by 16.2% compared to 2020, and the order backlog reached a record high, laying a solid foundation for the Group's high growth in the future.

In the context of the global low-carbon development and China's goal to achieve carbon neutrality by 2060, the Group not only actively helped its customers achieve efficiency increase and emissions reduction in conventional oil and gas operations through technical means, but also promoted low-carbon business and digital transformation. The Group established separate business units for a Low Carbon and New Energy Company as well as a Smart Oilfield Technology Company in the first half of 2021 and empowered and collaborated with ecosystem partners through an open and collaborative ecosystem platform to promote the development of low-carbon and new energy business as well as digital business.

In terms of debt management, to further optimize its debt structure and reduce financial risks, the Group proactively carried out active debt management. On 26 July 2021, the Group completed the partial exchange of bonds due on 2 December 2022 (the "**2022 Bonds**") and the concurrent issuance of new bonds. The transaction resulted in the issue of a total of approximately US$61.9 million new bonds in exchange for the old one, and completed the concurrent issuance of a new bonds with the amount of approximately US$88.1 million, a total of US$150.0 million of new bonds were issued. The coupon of the new bond is 8.75% and the maturity is 3.5 years. The bond will be due in January 2025. In the second half of the year, the Group also repurchased the remaining 2022 Bonds through secondary market in line with market conditions, repurchasing a total of USD50,850,000 bonds. As of 31 December 2021, the 2022 Bonds of the Group outstanding was approximately USD177,587,000. These measures greatly reduced the risk of a large amount of bonds to be due for concentrated repayment due to market volatility.

## BUSINESS ANALYSIS

### Geographical Market Analysis

In 2021, the Group's total revenue amounted to RMB2,923.3 million, representing a decrease of 5.3% compared to the full year of 2020. In breakdown, revenue from the domestic market amounted to RMB1,468.0 million, representing a decrease of 19.9% compared to 2020 and accounting for 50.2% of the Group's total revenue; revenue from the overseas markets amounted to RMB1,455.6 million, representing an increase of 16.0% compared to 2020 and accounting for 49.8% of the Group's total revenue. In particular, revenue from the Iraqi market amounted to RMB1,038.0 million, representing an increase of 8.0% compared to 2020 and accounting for 35.5% of the Group's total revenue; revenues from other overseas markets amounted to RMB417.6 million, representing an increase of 42.2% compared to 2020 and accounting for 14.3% of the Group's total revenue.

### Breakdown of Revenue by Market

| | Twelve months ended 31 December | | | % of total revenue of the Group Twelve months ended 31 December | |
|---|---|---|---|---|---|
| | **2021 (RMB'mn)** | 2020 (RMB'mn) | Change (%) | **2021** | 2020 |
| Domestic | **1,468.0** | 1,832.9 | -19.9% | **50.2%** | 59.4% |
| Overseas | **1,455.6** | 1,254.8 | 16.0% | **49.8%** | 40.6% |
| Total | **2,923.6** | 3,087.7 | -5.3% | **100.0%** | 100.0% |

## Overseas Market

| | Twelve months ended 31 December | | | % of total revenue of the Group Twelve months ended 31 December | |
|---|---|---|---|---|---|
| | **2021 (RMB'mn)** | 2020 (RMB'mn) | Change (%) | **2021** | 2020 |
| Iraq | **1,038.0** | 961.1 | 8.0% | **35.5%** | 31.1% |
| Other overseas markets | **417.6** | 293.7 | 42.2% | **14.3%** | 9.5% |
| Total | **1,455.6** | 1,254.8 | 16.0% | **49.8%** | 40.6% |

## Chinese Market

In 2021, the epidemic situation in the Chinese market remained under control, and the market was generally stable. Oil companies continued to increase reserves and production, and demand for oilfield services was booming. However, since the market was hit by the epidemic in 2020, customers have continued to maintain strict cost control, and service prices have not recovered to pre-epidemic levels. Under this market situation, the Group continued to implement asset-light transformation, and strived to secure high-quality orders with high technical requirements, good cash flow and high return on equity.

During the year, the asset-light inspection business of the Group continued to develop rapidly, with revenue increasing by 46.4% compared to 2020. The asset-light high-end technical service business also recorded an increase in orders and revenue. Under the goal of achieving carbon neutrality in China in 2060, the Group has also actively promoted the development of low-carbon business and digital business. In particular, the Group has established two dedicated arms of "Low-Carbon and New Energy Technology Company" and "Smart Oilfield Technology Company", which have empowered and collaborated with strategic partners from all walks of life through the Group's comprehensive and open ecological cooperation platform, and provided customers with low-carbon energy and new energy solutions by leveraging on the Group's rich industry experience, technical advantages, and market advantages. This includes actively promoting the construction of natural gas storage, carbon capture and storage, geothermal energy development and utilization, low carbon business consulting, and carbon assets management, as well as providing customers with smart oil and gas field solutions, including integrated smart management solutions for industrial parks, smart security, smart environmental solutions, and smart logistics solutions, with an aim to help customers improve the efficiency of asset management and maximize the value of assets. During the year, the Group assisted oilfield customers to complete the implementation of the first photovoltaic project.

For the full year of 2021, the Company received new orders of approximately RMB2,228.6 million in the domestic market, representing a decrease of approximately 10.6% from RMB2,494.1 million in 2020. The domestic market recorded revenue of approximately RMB1,468.0 million for the year, representing a decrease of approximately 19.9% from RMB1,832.9 million in 2020.

## Overseas Markets

In 2021, as the global oil and gas was in short supply and oil prices rose sharply, overseas customers quickly resumed projects and accelerated the kick off of new projects.

### Iraqi Market

In 2021, as the epidemic situation in Iraq became more subdued, most of the Group's key projects in the key Iraqi markets have resumed smoothly. In addition, the Group actively explored new markets, and made a breakthrough in the new region of northern Iraq where it secured an order for asset-light services. The integrated oilfield management service project of the Group in the large oilfield in southern Iraq has won high praise from customers for its high-quality services, and completed the first three-year service on 30 June 2021. Upon the successful renewal of the contract, the Group will continue to provide integrated and comprehensive management of the oilfield for the client, including the management of the overall production and operations of the oilfield, oilfield engineering management, and provision of materials and other management support required for the operation of the oilfield. With the renewal, the scope of the contract was further broadened, which include the management of third parties. The project continues with the "2+1" model (two years of services as of the official commencement of the contract with an option by written agreement of the parties to extend for another year of service). In addition to high-quality services, the Group has also been active in taking up its corporate social responsibility to actively help the oilfield and the local community fight against flooding in 2019 and the COVID-19 epidemic in 2020 and 2021, which won the Group high praise from the client, the Ministry of Oil, and local residents. The Group remains committed to providing high-quality services to the client in this oilfield for the long term and actively promoting the integrated oilfield management service model throughout the Iraqi market.

In 2021, the Company received new orders of approximately RMB2,291.3 million in the Iraq market, representing a significant increase of approximately 92.5% from RMB1,190.0 million in 2020, and recorded revenue of approximately RMB1,038.0 million, representing an increase of approximately 8.0% from RMB961.1 million in 2020.

### Other Overseas Markets – Emerging Markets

In 2021, the integrated oilfield management project of the Group in Chad, a country in West Africa, maintained stable operation. With the sharp rise in oil prices and the gradual control of the COVID-19 epidemic, other technical service businesses of the Group in emerging markets around the world also recovered rapidly. In addition, the Group actively seized the opportunities of market recovery and strived for breakthroughs in new markets. During the year, the Group made inroads into global emerging markets such as Niger and Australia for the first time, winning orders for asset-light services.

In 2021, the Group's other overseas markets together received new orders of approximately RMB486.8 million, representing a decrease of approximately 21.9% from RMB623.7 million in 2020; the combined revenue reached approximately RMB417.6 million, representing an increase of approximately 42.2% from RMB293.7 million in 2020.

## Industry analysis

The Group had adopted a business strategy names "multi-entity operation", since 2021, aiming to foster the Group's business growth by separating the businesses with different business model and operating each of them independently for a full play of each business's advantage and a maximized efficiency. Meanwhile, through the independent operation of these multiple business entities, the financial performance of different business segments with different business models can be more clearly reflected.

To implement this strategy, the Group has re-classified its business segments from the previous three segments of "drilling technology services", "well completion services" and "oil production services" into four segments of "inspection services", "oilfield management services", "oilfield technical services" and "drilling rig services".

The four business segments are briefly introduced as follows:

1. "Inspection services" includes various technical services provided by the Group for the efficient operation of customers' oil and gas field equipment, facilities and assets, including inspection and repair, intelligent monitoring, and digital and intelligent management services of various equipment and facilities, so as to help customers reduce costs, ensure asset safety, achieve energy conservation and efficiency, safety and environmental protection.

2. "Oilfield management services" is a premium light asset management service. The Group has strong integrated service capabilities and provides integrated comprehensive management services for oilfield assets of global oil companies, including comprehensive oilfield management services, capacity construction, oilfield development management, and oilfield operation and maintenance.

3. "Oilfield technical services" is a technical service business with traditional advantages of the Group. Taking reservoir geology technology as the core, it provides customers with geological technology, drilling technology, well completion technology, stimulation technology services and asset leasing services in the industry, so as to improve customer resource development efficiency, energy conservation and emission reduction with precise services.

4. "Drilling rig services" provides customers with related services that require drilling rigs and equipment, including drilling and well workover services that require drilling rigs. It can combine the Group's existing high-quality drilling technology, utilize its own drilling rigs and integrate industry resources to achieve low investment and high-efficiency services.

**Current Business Clusters**

| Inspection Services | Inspection services |
|---|---|
| Oilfield Management Services | Integrated oilfield management services<br>Oilfield operation and maintenance services |
| Oilfield technical services | Drilling technology services<br>Well completion technology services<br>Stimulation technology services<br>Asset leasing services |
| Drilling rig services | Drilling rig services |

**Previous business clusters**

| | |
|---|---|
| Drilling technology cluster | Integrated drilling services<br>Directional drilling services<br>Drilling rig services<br>Oilfield waste management services<br>Drilling tool rental and services<br>Oil production facilities inspection and evaluation services |
| Well completion cluster | Well completion integration services<br>Pressure pumping services<br>Coiled tubing services<br>Fracturing/acidizing and chemical materials<br>Gravel packing services |
| Oil production service cluster | Production operation services<br>Workover services<br>Oil tubing and casing and anti-corrosion technology services |



### Product line comparison for segment adjustment:

During the Reporting Period, the Group's revenue from the inspection service segment amounted to RMB273.6 million, representing a significant increase of approximately 46.4% compared to 2020 and accounting for 9.4% of the Group's revenue for 2021; revenue from the oilfield management service segment amounted to RMB918.9 million, representing an increase of approximately 11.5% compared to 2020 and accounting for 31.4% of the Group's total revenue for 2021; revenue from the oilfield technical service segment amounted to RMB1,337.5 million for the year, which representing a decrease of 1.0% compared to RMB1,351.1 million in 2020, accounting for 45.7% of the Group's total revenue; revenue from the drilling rig service segment amounted to RMB393.6 million for the year, representing a decrease of approximately 45.7% from RMB725.5 million in 2020 and accounting for 13.5% of the Group's total revenue.

### Revenue Breakdown by Cluster

| | Twelve months ended 31 December | | | % of total revenue Twelve months ended 31 December | |
|---|---|---|---|---|---|
| | **2021** | 2020 | Change | **2021** | 2020 |
| | **(RMB'mn)** | (RMB'mn) | (%) | | |
| Inspection services | **273.6** | 186.9 | 46.4% | **9.4%** | 6.1% |
| Oilfield management services | **918.9** | 824.2 | 11.5% | **31.4%** | 26.7% |
| Oilfield technical services | **1,337.5** | 1,351.1 | -1.0% | **45.7%** | 43.8% |
| Drilling rig services | **393.6** | 725.5 | -45.7% | **13.5%** | 23.4% |
| Total | **2,923.6** | 3,087.7 | -5.3% | **100.0%** | 100.0% |

### Inspection service segment

In 2021, the Group's inspection services segment recorded revenue of RMB273.6 million, representing an increase of 46.4% from the revenue of RMB186.9 million in 2020. This segment is an asset-light service segment that the Group has focused on developing in recent years. The Group has various inspection service bases in various regions in China and on-site service bases in overseas markets such as Iraq, Chad and Kazakhstan. Currently, the Group has grown to be a leading independent third-party inspection service provider in the oil and gas field with the most comprehensive service capabilities to assist customers to reduce costs, protect asset safety and achieve energy conservation, efficiency improvement, safety and environmental protection. There are profound business growth opportunities in the future.

The EBITDA of the inspection service segment increased by 55.0% to RMB97.0 million in 2021 from RMB62.6 million in 2020, with an EBITDA margin of 35.5%, an increase of 2.0 percentage points from 33.5% in 2020.

## Oilfield management services segment

In 2021, the Group's oilfield management services segment recorded revenue of RMB918.9 million, representing an increase of 11.5% from RMB824.2 million in 2020. This business is premium asset-light management service. The Group has a full set of oil and gas resource development technologies and oil and gas field management professionals to provide customers with optimized oil and gas field management and supporting services and assist customers to maximize asset value. The oilfield management service of the Group covers Iraq, West Africa, China and other markets. Through high-quality management services, the Group has established a solid cooperative relationship with customers. Currently, the Group is actively promoting the further replication of this business model in emerging markets around the world.

Analysis of product lines in the oilfield management service segment:

1) Integrated oilfield management service: During the Reporting Period, the integrated oilfield management service product line recorded a revenue of RMB716.2 million, representing an increase of 12.0% from RMB639.3 million in 2020.

2) Oilfield operation and maintenance service: In 2021, the oilfield operation and maintenance services product line recorded a revenue of RMB202.7 million, representing an increase of 9.6% from RMB184.9 million in 2020.

The EBITDA of the oilfield management service segment increased by 22.0% to RMB392.6 million in 2021 from RMB321.9 million in 2020, with an EBITDA margin of 42.7%, an increase of 3.6 percentage points from 39.1% in 2020.

## Oilfield technical services segment

In 2021, the oilfield technical services segment recorded revenue of RMB1,337.5 million, representing a decrease of 1.0% from RMB1,351.1 million in 2020. Oilfield technical service is a technical service business with traditional advantages of the Group. The Group has integrated technical service capabilities covering the entire life cycle of oil and gas development. With reservoir geological technology as the core, the Group provides customers with geological technology, drilling technology, well completion technology, stimulation technical services and asset leasing services in the industry to improve the efficiency of customers' resource development and maximize the value of reservoir assets with precise services. The Group is also actively promoting green transformation and the development of low-carbon new energy business.

Analysis of product lines in the oilfield technical service segment:

1) Drilling technology: During the Reporting Period, the drilling technology product line recorded a revenue of RMB340.8 million, representing a significant increase of 66.4% from RMB204.8 million in 2020. The growth mainly comes from directional drilling sector.

2) Well completion technology: In 2021, this product line recorded a revenue of RMB146.8 million, representing an increase of 30.8% from RMB112.2 million in 2020.

3) Stimulation technology: During the Reporting Period, this product line recorded a revenue of RMB686.5 million, representing a decrease of approximately 10.9% from RMB770.1 million in 2020.

4) Asset leasing services: In 2021, this product line recorded a revenue of RMB163.4 million, representing a decrease of 38.1% from RMB264.0 million in 2020.

The EBITDA of the oilfield technical service segment increased by 6.3% to RMB506.1 million in 2021 from RMB476.2 million in 2020, with an EBITDA margin of 37.8%, an increase of 2.6 percentage points from 35.2% in 2020.

## Drilling rig services segment

In 2021, the drilling rig services segment recorded revenue of RMB393.6 million, representing a decrease of 45.7% from RMB725.5 million in 2020, primarily due to the Group's asset-light transformation and the construction of a drilling rig service project of the Group in Iraq having not resumed as a result of the COVID-19 epidemic. Drilling rig service is an asset-heavy business of the Group, which is greatly affected by capital expenditure in the industry. The Group is committed to combining its existing high-quality drilling technology, using its own drilling rig equipment and ecological cooperation platform to integrate industry resources and achieve low-cost and efficient services.

The EBITDA of the drilling rig service segment decreased by 32.9% to RMB137.4 million in 2021 from RMB204.8 million in 2020, with an EBITDA margin of 34.9%, an increase of 6.7 percentage points from 28.2% in 2020.

## Strategic Resources Alignment

In 2021, the Group continued to maintain tight control on new capital expenditures and maintain safe levels of liquidity in strict accordance with the "asset-light" business model guideline and firmwide discipline with cash flow management at the core. The capital expenditure for the year amounted to RMB221.2 million, representing an increase of 30.2% from RMB169.9 million in 2020, primarily due to the Group carrying out replacements of some supplementary assets and equipment that have been in use for many years.

## Alignment of Investment

In 2021, the Group's investments were mainly in the replacements of some supplementary assets and equipment that has been in use for many years.

## Alignment of Research and Development ("R&D")

In 2021, recognizing clients' practical needs for production increase and cost reduction, and along with the increasing demand for efficient and environmentally friendly products under the Group's sustainable development concept, the Group improved and reinvented relevant technologies and tools and promoted the optimization and upgrade of the Group's products through technical cooperation. In 2021, the Group invested RMB70.8 million in research and development, an increase of 25.8% from RMB56.3 million in the previous year. Key research pipelines include:

- Research and application of real-time iterative drilling and fracturing technology
- Research and application of fiber well logging equipment and interpretation software
- Research and application of oil-based completion fluids for ultra-deep wells and ultra-high temperature oil testing
- Development and application of high-end production completion tools
- Research and development of intelligent completion tools
- Automatic fluid control process and technology research project – Phase II

## Alignment of Human Resources

In 2021, the Group continued to strengthen the building of human resources through information management and continued to intensify comprehensive training of talents through the Anton Academy to upskill its workforce. During the year, the Group offered 338 training courses to its employees around the world through the Anton Academy, an online platform of the Group, with a total of 639,496 employees participated in online learning.

The Group further promoted the comprehensive upgrading of its corporate culture to strengthen the cultural identity of all employees by sharing its corporate values. Meanwhile, the Group implemented the amoeba management model from the top down by carrying out refined management and all employees participated in the Group's operation. The Group reinforced the management of small teams to create an agile organization structure by giving full play to the merits of employees through individualized incentives and comprehensively encouraging innovation, resource sharing and rapid iteration.

During the pandemic, the Group also endeavored to attract and recruit talents through global online publicity and fully improve work efficiency through performance appraisal and elimination of the least competent. As of 31 December 2021, the Group had a total of 4,270 employees, a net increase of 265 as compared to 31 December 2020.

During the year, the Group, by leveraging the Restricted Share Incentive Scheme, used its own funds to purchase a total of 48,266,000 shares of the Company in the secondary market to incentivize employees and encourage them to make a positive contribution and thrive together with the Group in the long run.



## Outlook

After eight years of underinvestment in upstream exploration and development, tight supply of oil and gas has emerged globally. With the recovery of oil and gas demand after the epidemic, the global oil and gas supply and demand has entered into an unbalanced state. The outbreak of the Russian-Ukrainian war further exacerbated the uncertainty of global oil and gas supply. In 2022, global upstream capital expenditure is expected to experience a double-digit growth. Production capacity in the Middle East oil and gas market will be increased to make up for the lack of supply. In China, in view of the requirements of increasing independent energy supply and ensuring energy security and the "dual-carbon" goal, the natural gas industry will step into a period of rapid development. Meanwhile, low-carbon projects and the development of new energy will also experience a rapid growth.

In terms of markets, in the Chinese market, the Group will continue to focus on natural gas development projects, including the development projects of shale gas and other unconventional resources, and help customers increase efficiency, reduce cost and increase production. Meanwhile, the Group will continue to explore new market opportunities relating to the new energy projects under the "dual-carbon" goal of China to provide customers with a full range of services. In the Iraqi market, the Group will continue to actively seek strategic cooperation with the Iraq National Oil Company and local international oil companies to achieve new business breakthroughs in the Iraqi market. In addition, the Group will continue to provide customers with integrated management services in the Majnoon oilfield and explore the market by seeking opportunities to acquire new integrated large-scale projects. In respect of other overseas markets, in the market of Chad in Africa, the Group has successfully completed the renewal of contracts for key oilfield management projects in March 2022 and will continue to pursue opportunities in emerging markets for oil and gas development, and continue to explore opportunities in Central Asia, Africa, Southeast Asia and other new markets, continue to expand market network, explore new markets, and continue to cultivate new mature regional markets.

In terms of products, technologies and service capabilities, the Group will further promote multi-entity operation and development by creating multiple operating entities in such fields as inspection service, oilfield management, oilfield technology and drilling rig services, and promote the independent operation of such entities, encourage them to fully leverage their strengths in their respective fields to realize efficient cooperation and coordinated development. Meanwhile, the Group will continue to promote all-round innovation, encourage every product line and every segment to seek innovation in light of its own characteristics to launch new products and continuously improve and enrich the Group's comprehensive service model to meet customers' demands and improve operation efficiency.

In terms of strategic resources alignment, the Group will continue to adopt a diversified and open cooperation model to carry out strategic cooperation with various partners, and continue to implement the "New Anton" ecological and platform-based development strategy to realize the ecological development of the oil service industry of China.

On the financial side, the Group will seize market opportunities to achieve growth in both revenue and profit; adhere to the principle of "cash first" to pursue steady and healthy cash flow; ensure timely repayment of bonds through solid financial management; and promote asset securitization and optimize capital structure by carrying out multi-entity operation strategy.

In terms of environmental, social and governance (ESG), our vision is to become "a model of harmonious development between man and environment" and the Group will continue to promote green development with technology and efficient services, continue to actively fulfill corporate social responsibilities, cultivate talents, help communities, promote social progress and ensure its continuous growth with a scientific governance structure, so as to become a model enterprise in the industry.

## FINANCIAL REVIEW

### Revenue

The Group's revenue in 2021 was RMB2,923.6 million, representing a decrease of RMB164.1 million or 5.3% from RMB3,087.7 million in 2020.

### Costs of Sales

Cost of sales decreased by 11.3% from RMB2,277.8 million in 2020 to RMB2,021.3 million in 2021.

### Other Gains

Other gains decreased by RMB15.4 million from RMB40.3 million in 2020 to RMB24.9 million in 2021.

### Impairment Loss on Financial Assets

Impairment loss on financial assets decreased from RMB83.4 million in 2020 to RMB45.9 million in 2021, down 45.0%.

### Selling Expenses

Selling expenses were RMB140.7 million in 2021, representing a decrease of RMB34.8 million, or 19.8%, from RMB175.5 million in 2020.

### Administrative Expenses

Administrative expenses were RMB228.7 million in 2021, an increase of RMB29.7 million, or 15.0%, compared to RMB199.0 million in 2020.

### R&D Expenses

Research and development expenses were RMB70.8 million in 2021, an increase of RMB14.5 million, or 25.6%, compared to RMB56.3 million in 2020.

### Sales Tax and Surcharges

Sales tax and surcharges amounted to RMB11.7 million in 2021, representing an increase of RMB0.3 million, or 2.6%, from RMB11.4 million in 2020.

### Operating Profit

Operating profit in 2021 was RMB429.5 million, an increase of RMB105.0 million, or 32.4%, from RMB324.5 million in 2020. The operating profit margin in 2021 was 14.7%, up 4.2 percentage points from 10.5% in 2020.

## Net Finance Costs

In 2021, net finance costs were RMB252.2 million, representing a decrease of approximately RMB41.7 million compared to RMB293.9 million in 2020.

## Income Tax Expense

In 2021, income tax expense was RMB100.7 million, a decrease of RMB13.8 million from RMB114.5 million in 2020.

## Profit/Loss for the Year

The Group reported a profit of RMB75.4 million in 2021, compared to a loss of RMB83.8 million in 2020.

## Profit/Loss Attributable to Equity Holders of the Company

In 2021, the Group's profit attributable to equity holders of the Company was RMB72.2 million, compared to a loss of RMB95.8 million in 2020.

## Trade and Notes Receivables

As at 31 December 2021, the Group's net trade and notes receivables amounted to RMB2,096.3 million, representing a decrease of RMB37.5 million as compared to 31 December 2020. The average trade receivable turnover days for the year was 235 days, representing an increase of 9 days as compared to 2020.

## Inventories

As at 31 December 2021, the value of the Group's inventories was RMB945.0 million, representing an increase of RMB14.3 million compared to that of 31 December 2020.

## Liquidity and Capital Resources

As at 31 December 2021, the Group had cash and bank deposits of approximately RMB1,588.1 million (including: restricted bank deposits, cash and cash equivalents), representing an increase of RMB254.8 million as compared to 31 December 2020.

The Group's outstanding short-term borrowings as at 31 December 2021 amounted to approximately RMB718.1 million. Approximately RMB802.8 million of the credit facilities underwritten to the Group by domestic banks remained unused.

As at 31 December 2021, the Group's gearing ratio was 61.4%, the same as the gearing ratio of 61.4% as at 31 December 2020. The calculation of gearing is based on total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities and trade and notes payables (as shown in the consolidated statement of financial position). Total capital is calculated based on equity (as shown in the consolidated statement of financial position) plus total borrowings.

As at 31 December 2021, equity attributable to equity holders of the Company was RMB2,687.4 million, an increase of RMB61.3 million from RMB2,626.1 million as at 31 December 2020.

## Acquisition and Disposal of Major Subsidiaries, Associates and Joint Ventures

During the twelve months ended 31 December 2021, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

## Exchange Risk

The Group conducts its business mainly in RMB and USD, and some of its import and export purchases are settled in foreign currencies. The Group considers that the exchange risk involved in the Group's settlement amounts denominated in foreign currencies is not material. The Group's exchange risk mainly arises from its foreign currency deposits, trade receivables and long-term bonds denominated in foreign currencies. Fluctuations in the exchange rate of RMB against USD may adversely affect the Group's operating results and financial position.

## Cash Flow from Operating Activities

For the twelve months ended 31 December 2021, the Group's net cash flow from operating activities was a net inflow of RMB757.2 million for the year, representing a decrease of RMB48.1 million over 2020.

## Capital Expenditure and Investment

The Group's net capital expenditure for the year 2021 was RMB221.2 million, of which RMB170.9 million was invested in fixed assets, RMB48.3 million in intangible assets and RMB2.0 million in an associate.

## Contractual Commitments

The Group's contractual commitments mainly comprise its capital commitments, which stood at approximately RMB71.7 million as at 31 December 2021 (but not yet provisioned for in the consolidated statement of financial position).

## Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

## Pledge of Assets

As at 31 December 2021, the Group's assets pledged for bank financing were property, plant, machinery and equipment with a net book value of RMB84.2 million, right-of-use assets with a net book value of RMB5.4 million, and trade receivables with a net book value of RMB222.8 million.

## Off-Balance Sheet Arrangements

As at 31 December 2021, the Group did not have any off-book arrangements.

# DIRECTORS' REPORT

The Board of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group provides integrated oil and gas field development technical services covering the entire life cycle of oil and gas field development, including drilling, completion and oil production stages.

The Group's performance analysis based on segments is set out on Note 5.

## RESULTS OF OPERATIONS

The financial results of the Group for 2020 are set out on pages 63 to 148 of this Annual Report.

## FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Group is set out on pages 5 to 6 in the section headed "Financial Summary" of this Annual Report.

## FINAL DIVIDEND

At the Board meeting held on 29 March 2022, the Board did not recommend a payment of a final dividend for the year ended 31 December 2021(2020: NIL).

## BUSINESS REVIEW

### Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 14 to 27 of this annual report. The discussion constitutes a part of this Director's Report.

### Principal Risks and Uncertainties

The Group provides oil and gas fields technical services, the main market risk and uncertainties come from the fluctuation of oil and gas price and oil and gas development activities. The Board of the Company pays close attention to the market condition and will change the Group's market strategy according to the market changes to ensure a stable business development of the Group.

## Business Outlook

The business outlook of the Group is detailed in the Management Discussion and Analysis on pages 14 to 27 of this annual report. The discussion constitutes a part of this Director's Report.

## Key Performance Indicators

The key performance indicators are detailed in the financial review set out in the Management Discussion and Analysis on pages 25 to 27 of this annual report. This discussion constitutes a part of this Directors' Report.

## Environmental Policies and Performance and Compliance with Laws and Regulations

Matters in relation to Environmental Policies and Performance and Compliance with Laws and Regulations, please refer to the "2021 Sustainability Report" which would be published separately by the Group at a later time. The discussion constitutes a part of this Director's Report.

## Relationships with Employees

Please refer to the "2021 Sustainability Report" which would be published separately by the Group. The discussion constitutes a part of this Director's Report.

## Relationships with Customers and Suppliers

Main customers of the Group are domestic and overseas oil companies. The Group aims to provide its customer with high quality services as well as low costs and high efficiency. Target of the Group is to make oil and gas development much easier through the services it provides. The Group has formed a long- term strategic partnership with its main customers.

Main providers of the Group are equipment, tools and chemicals providers of this industry. The Group keeps good communication with those providers and formed close cooperation for the production and delivery according to the Group's business needs as well as lowering material costs according to long- term cooperation and batch purchases.

For matters in relation to Relationships with Customers and Suppliers, Please refer to the "2021 Sustainability Report" which would be published separately by the Group. The discussions constitutes a part of this Director's Report.

## MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Group accounted for approximately 34.5% and 70.9% respectively of the Group's revenues for the year ended 31 December 2021.

For the year ended 31 December 2021, the total amount of purchases made by the Group from the largest supplier and its five largest suppliers accounted for 5.7% and 18.8% respectively of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

## SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

## PROPERTIES, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Group for the year ended 31 December 2021 totaled RMB194.7 million. Details of movements are shown under Note 6 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 14 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive right under the Articles of Association of the Company and the Cayman Islands laws, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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

On 26 July 2021, the Company issued US$150,000,000 aggregate principal amount of the 8.75% senior notes due 2025 (the "2025 Notes"), of which US$88,097,000 aggregate principal amount of the notes were newly issued and US$61,903,000 aggregate principal amount of the notes were issued in exchange for the Company 7.5% senior notes due 2022 (the "2022 Notes"). During the reporting period, the Group repurchased USD50,850,000 aggregate principal amount of the 2022 Notes in the secondary market.

During the reporting period, the Group purchased a total of 48,266,000 shares of the Company with the Company's own funds, representing 1.61% of the total number of issued shares of the Company as at the date of this announcement, in the secondary market for the Restricted Share Incentive Scheme of the Company. Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or repurchased any of the Company's listed securities during the year ended 31 December 2021.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in Notes 15 and 37 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution amounted to RMB1,049.6 million.

## BOND AND SENIOR NOTES

Details of the bonds and senior notes are set out in Note 16 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in this Directors' Report on pages 36 to 39 and Note 14 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year.

## DIRECTORS

The members of the Board during the year and up to the date of this Annual Report are:

| | |
|---|---|
| **Executive Directors** | |
| Mr. Luo Lin | (appointed on 3 August 2007) |
| Mr. Pi Zhifeng | (appointed on 25 March 2015) |
| Mr. Fan Yonghong | (appointed on 16 April 2019) |
| **Non-executive Directors** | |
| Mr. Huang Song | (appointed on 31 December 2020) |
| **Independent Non-executive Directors** | |
| Mr. Zhang Yongyi | (appointed on 17 November 2007) |
| Mr. Zhu Xiaoping | (appointed on 17 November 2007) |
| Mr. Wee Yiaw Hin | (appointed on 19 April 2017) |

The biographical details of the Directors and senior management are set out under the section headed "Profiles of Directors and Senior Management" of this Annual Report.

In accordance with Article 130 of the Articles of Association, one-third of the Directors shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, in accordance with the letters of appointment for two of the Independent Non-executive Directors, namely Mr. Zhang Yongyi and Mr. Zhu Xiaoping, they shall retire and being eligible, will offer themselves for re-election at the AGM. Accordingly, Mr. Luo Lin, Mr. Fan Yonghong, Mr. Zhang Yongyi and Mr. Zhu Xiaoping shall retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM") of the Company.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Mr. Luo Lin, being the Executive Director, has renewed his service contract with the Company for a term of three years commencing from 3 June 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Pi Zhifeng, being the Executive Director, has renewed his service agreement with the Company for a term of three years commencing from 25 May 2021, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Fan Yonghong, being the Executive Director, has entered into a service agreement with the Company for a term of three years commencing from 16 April 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Huang Song, being the Non-executive Director, has entered into a letter of appointment with the Company under which he will act as a Non-executive Director for a period of 3 years with effect from 31 December 2020, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Zhang Yongyi and Mr. Zhu Xiaoping, being the Independent Non-executive Directors, has renewed their letter of appointment with the Company for a term of one year commencing from 9 January 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wee Yiaw Hin, being the Independent Non-executive Director, has renewed his letter of appointment with the Company for a term of 3 years commencing from 19 April 2020, which may be terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, no Director for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

## DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

There was no transactions, arrangements or contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any Director and the Director's connected party had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

## PERMITTED INDEMNITY PROVISION

During the financial year, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors. The permitted indemnity provisions are provided for in the Company's Articles of Association in respect of potential loses and liability associated with legal proceedings that may be brought against such Directors and the payment of any sum primarily due from the Company that may be liable by the Directors.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or exited during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") had an interest in any business which competes or may compete with the business in which the Group is engaged during the year.

Pro Development Holdings Corp. is beneficially controlled by Mr. Luo Lin, the Executive Director.

Pro Development Holdings Corp. and the Executive Directors have provided the Company with an annual confirmation in respect of the compliance with non-competition undertaking given by them.

The Independent Non-executive Directors have also reviewed the compliance by Pro Development Holdings Corp. and the Executive Directors with the Non-competition Undertaking during the year. The Independent Non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by Pro Development Holdings Corp. and the Executive Directors of the non-competition undertaking given by them.

## REMUNERATION OF DIRECTORS

In compliance with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee (the "Remuneration Committee") to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Director's remuneration structure may include a director's fee, a fixed salary, share options and performance bonus. The Directors' remuneration is determined by the Board with reference to the Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 38 to the consolidated financial statements of this Annual Report.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and considers that all the Independent Non-executive Directors, namely Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wee Yiaw Hin to be independent.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

### (i) Long positions in ordinary shares of HK$0.10 each:

| Name of Director | Note | Capacity | Number of ordinary shares held | Approximate percentage of shareholding |
|---|---|---|---|---|
| LUO Lin | 1, 2 | Founder of a discretionary trust and beneficial owner | 737,494,330 | 24.52% |
| PI Zhifeng | 2 | Beneficial owner | 14,448,000 | 0.48% |
| FAN Yonghong | 2 | Beneficial owner | 26,520,000 | 0.88% |
| ZHANG Yongyi | 2 | Beneficial owner | 4,240,000 | 0.14% |
| ZHU Xiaoping | 2 | Beneficial owner | 3,800,000 | 0.12% |
| WEE Yiaw Hin | 2 | Beneficial owner | 2,900,000 | 0.09% |

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Serangoon Limited and Seletar Limited owns 50% interest of Avalon Assets Limited respectively. Serangoon Limited and Seletar Limited are wholly-owned by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Credit Suisse Trust Limited, Serangoon Limited, Seletar Limited, Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.

2. These share includes the share options granted to each director pursuant to the Company's Share Option Scheme ("Share Option Scheme") as well as the shares granted to each directors pursuant to the Company's Restricted Share Award Scheme ("Restricted Share Award Scheme"). Details of such options of each director were disclosed in the following "SHARE OPTION SCHEME" section.

Save as disclosed above, at no time during the year ended 31 December 2021, the Directors and chief executive (including their spouses and children under the age of 18 years) had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, its particular undertakings or its associated corporations as required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares or underlying shares of the Company:

| Name of Substantial Shareholders | Notes | Capacity | Long/Short Position | Number of Ordinary Shares Held | Approximate Percentage of Shareholding |
|---|---|---|---|---|---|
| Pro Development Holdings Corp. | 1 | Beneficiary Owner | Long Position | 664,140,740 | 22.08% |
| China Oil HBP Science & Technology Co., Ltd. | 2 | Interest of controlled corporation | Long Position | 193,766,678 | 6.44% |

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Serangoon Limited and Seletar Limited owns 50% interest of Avalon Assets Limited respectively. Serangoon Limited and Seletar Limited are wholly-owned by Credit Suisse Trust Limited. Credit Suisse Trust Limited is the trustee of Loles Trust. Mr. Luo Lin is the founder of Loles Trust of which Mr. Luo Lin and his family members are the beneficiaries. By virtue of the SFO, Credit Suisse Trust Limited, Serangoon Limited, Seletar Limited, Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.

2. Hong Kong Huihua Global Technology Limited, which is a company wholly-owned by China Oil HBP Science & Technology Co., Ltd. and holds 193,766,678 shares. By virtue of the SFO, China Oil HBP Science & Technology Co., Ltd. is deemed to be interested in the shares held by Hong Kong Huihua Global Technology Limited.

Save as disclosed above, as at 31 December 2021, so far was known to the Directors, no other persons (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 26 May 2017. For the year ended 31 December 2021, there is no new share option granted. The purpose of the Share Option Scheme is to grant option to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or agents.

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

The maximum number of shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the share option Scheme limit (i.e. 26 May 2017), being 266,006,925 shares.

As at the date of this Annual Report, the total number of shares available for issue which includes share options available to be granted and outstanding options under the Share Option Scheme was 355,724,925 shares, representing 11.8% of the issued share capital of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue as at the date of grant unless approved by the shareholders in general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board provided that it shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.



As at 31 December 2021, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each. Details of the movements in the number of share options during the year ended 31 December 2021 under the Share Option Scheme are as follows:

| Grantees | Date of grant of share options | Exercise period of share options | Exercise price per share: HK$ | Note | Number of share options as at 1 January 2021 | Number of share options granted during the period | Number of share options exercised during the period | Number of share options cancelled during the period | Number of share options lapsed during the period | Number of share options as at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| LUO Lin | 2 December 2016 | 2 December 2017 to 1 December 2022 | 1.100 | 1,5 | 2,216,000 | - | - | - | - | 2,216,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 1,6 | 442,000 | - | - | - | - | 442,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 1,7 | 2,218,000 | - | - | - | - | 2,218,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 1,8 | 784,922 | - | - | - | - | 784,922 |
| | | | | Subtotal: | 5,660,922 | | | | | 5,660,922 |
| PI Zhifeng | 1 April 2016 | 1 April 2017 to 31 March 2022 | 0.800 | 1,4 | 3,000,000 | - | - | - | - | 3,000,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 1,6 | 3,000,000 | - | - | - | - | 3,000,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 1,7 | 2,600,000 | - | - | - | - | 2,600,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 1,8 | 2,600,000 | - | - | - | - | 2,600,000 |
| | | | | Subtotal: | 11,200,000 | | | | | 11,200,000 |
| FAN Yonghong | 24 February 2016 | 24 February 2017 to 23 February 2022 | 0.74 | 1,3 | 2,700,000 | - | - | - | - | 2,700,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 1,6 | 2,700,000 | - | - | - | - | 2,700,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 1,7 | 3,500,000 | - | - | - | - | 3,500,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 1,8 | 4,020,000 | - | - | - | - | 4,020,000 |
| | | | | Subtotal: | 12,920,000 | | | | | 12,920,000 |
| Zhang Yongyi | 1 April 2016 | 1 April 2017 to 31 March 2022 | 0.800 | 2,4 | 900,000 | - | - | - | - | 900,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 2,6 | 700,000 | - | - | - | - | 700,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 2,7 | 700,000 | - | - | - | - | 700,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 2,8 | 700,000 | - | - | - | - | 700,000 |
| | | | | Subtotal: | 3,000,000 | - | - | - | - | 3,000,000 |

| Grantees | Date of grant of share options | Exercise period of share options | Exercise price per share: HK$ | Note | Number of share options as at 1 January 2021 | Number of share options granted during the period | Number of share options exercised during the period | Number of share options cancelled during the period | Number of share options lapsed during the period | Number of share options as at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| ZHU Xiaoping | 1 April 2016 | 1 April 2017 to 31 March 2022 | 0.800 | 2,4 | 900,000 | - | - | - | - | 900,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 2,6 | 700,000 | - | - | - | - | 700,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 2,7 | 700,000 | - | - | - | - | 700,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 2,8 | 700,000 | - | - | - | - | 700,000 |
| | | | | Subtotal: | 3,000,000 | - | - | - | - | 3,000,000 |
| WEE Yiaw Hin | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 2,6 | 700,000 | - | - | - | - | 700,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 2,7 | 700,000 | - | - | - | - | 700,000 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 2,8 | 700,000 | - | - | - | - | 700,000 |
| | | | | Subtotal: | 2,100,000 | - | - | - | - | 2,100,000 |
| Employees in aggregate | 24 February 2016 | 24 February 2017 to 23 February 2022 | 0.740 | 1,3 | 75,801,334 | - | - | - | 1,184,000 | 74,617,334 |
| | 1 April 2016 | 1 April 2017 to 31 March 2022 | 0.800 | 1,4 | 1,500,000 | - | - | - | - | 1,500,000 |
| | 23 May 2017 | 23 May 2018 to 22 May 2023 | 0.810 | 1,6 | 83,450,000 | - | - | - | 2,800,000 | 80,650,000 |
| | 3 April 2018 | 3 April 2019 to 2 April 2024 | 1.020 | 1,7 | 52,065,333 | - | - | - | 4,150,000 | 47,915,333 |
| | 7 January 2019 | 7 January 2020 to 6 January 2025 | 0.790 | 1,8 | 77,279,078 | - | - | - | 4,030,000 | 73,249,078 |
| | 1 April 2020 | 1 April 2021 to 31 March 2026 | 0.495 | 1,9 | 113,439,592 | - | - | - | - | 113,439,592 |
| | | | | Subtotal: | 403,535,337 | - | - | - | 12,164,000 | 391,371,337 |
| | | | | Total | 441,416,259 | - | - | - | 12,164,000 | 429,252,259 |

Notes:

1. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to one-third of their share options during the option period commencing from each of the first, second and third anniversary of the date of grant.

2. The option period for the share options granted above commences on the date of grant and ends on the last day of seventy-two months counting respectively from the said date. The grantees are vested with, and entitled to exercise up to 50% of their share options during the option period commencing from each of the first and second anniversary of the date of grant.

3. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.77.*

4. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.81.*

5. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$1.12.*

6. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.84.*

7. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.97.*

8. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.84.*

9. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the options were granted was HK$0.495.*

* Source from website of Hong Kong Exchange

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirement of the Listing Rules during the year and to the date of this Annual Report.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

## ARRANGEMENTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" above, at no time during or at the end of the year was the Company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in, debentures of, the Company or any other body corporate.

## DIRECTOR'S SECURITIES TRANSACTIONS

The directors of the Company (the "Directors") have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of practice for securities transactions by the Directors. Having made specific inquiry with all the Directors, the Company confirms that all Directors have fully complied with the applicable requirements stipulated in the said Code throughout the reporting period.

## TAXATION

For the year ended 31 December 2021, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

## RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2021 are set out in Note 35 to the Financial Statements of this Annual Report. None of the related party transitions continuing to connected transition or continuing connected transitions subject to independent shareholders' approval, annual review and will disclosure requirements in Chapter 14A of the Listing Rules.

## AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

There had been no change to the Company's constitutional documents during the year ended 31 December 2021.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 25 May 2022 (Wednesday) and the notice of the AGM will be published and dispatched to the shareholders of the Company in due course in the form prescribed under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2022(Friday) to 25 May 2022 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfers accompanied by the relevant documentation and share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 May 2022 (Thursday).

## AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wee Yiaw Hin. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021.

## AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by Deloitte Touche Tohmatsu, who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

**Luo Lin**
*Chairman*

29 March 2022

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**LUO Lin (羅林)**, aged 54, is the Chairman and the founder of the Group, in charge of the overall business of the Group. Prior to establishing the Group, Mr. Luo worked at the Tarim Basin from 1992 to 1999. Mr. Luo has 30 years of experience in the petroleum industry. He has an Executive Master of Business Administration (EMBA) degree from Tsinghua University and a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院). Mr. Luo is also a certified lawyer and a chartered accountant in the PRC.

**PI Zhifeng (皮至峰)**, aged 43, is the Executive Director and Chief Executive Officer of the Company, in charge of the Group's strategy making, the overall business operation target achievement and capital market work. Mr. Pi joined the Group in 2004, and was responsible for the management of strategies, business establishment and capital market. Prior to joining the Group, Mr. Pi was responsible for investment in China Chengxin Financial Consultancy Co., Ltd (中誠信財務顧問有限公司). Mr. Pi has a Master of Business Administration degree from the University of Chicago Booth School of Business in the U.S.

**FAN Yonghong (范永洪)**, aged 51, is the Executive Director, the President and Chief Technology Officer of the Company, and is responsible for daily operations of the Company and its technical construction. Mr. Fan joined the Group in 2004, and was responsible for the setup and technical construction of the well service business and the management of business clusters of the Group. Prior to joining the Group, Mr. Fan was employed by PetroChina Tarim Oilfield Company (中石油塔里木油田分公司) between 1991 and 2004. He has 31 years of experience in the petroleum industry. Mr. Fan has an Executive Master of Business Administration (EMBA) degree from China Europe International Business School (CEIBS).

## NON-EXECUTIVE DIRECTOR

**HUANG Song (黃松)**, aged 59, is the Non-executive Director of the Company, is also a senior engineer of water supply and drainage who is an inventor of many patents in the industry and won the first prize of Science and Technology progress of Petro China. Mr. Huang acted as the Chairman and General Manager of Beijing Oil HBP Technology Co., Ltd from 1998 to 2009, he was also the former Chairman of China Oil HBP Science & Technology Co., Ltd ("China Oil HBP") from 2009 to 2019 and is currently the Vice Chairman and General Manager of China Oil HBP. Mr. Huang was appointed as an Engineer and Senior Engineer in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec from 1986 to 1998. Before his career in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec, he served in Henan Oilfield Drilling Company and Oil Recovery Technology Research Institute from 1981 to 1986.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**ZHANG Yongyi (張永一)**, aged 85, is the Independent Non-executive Director of the Company. Mr. Zhang has extensive experience in the petroleum industry. Mr. Zhang was appointed as the Deputy General Manager of CNPC in 1992. Prior to this, he had taught in the Southwest Petroleum Institute (西南石油學院) for more than 32 years. Mr. Zhang was appointed as Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000 and appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998.

**ZHU Xiaoping (朱小平)**, aged 73, is the Independent Non-executive Director. Mr. Zhu has extensive experience in corporate finance and is currently an Accounting Professor of the Renmin University of China (中國人民大學). He served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Audit Society (中國審計學會理事).

**Wee Yiaw Hin,** aged 63, is the Independent Non-executive Director. Mr. Wee has more than 33 years of experience in the Oil & Gas Industry. He spent 21 years in Shell in Malaysia and Overseas, and joined PETRONAS as Executive Vice President and Chief Executive Officer of Upstream Business in May 2010. Mr. Wee was Executive Director and Executive Committee member of the board of PETRONAS Group. Mr. Wee graduated as a Civil Engineer and holds a Masters' Degree of Science from Imperial College, UK.

## SENIOR MANAGEMENT

**SHEN Haihong (沈海洪)**, aged 52, is an Executive Vice President of the Company, and is in charge of operation, and QHSE management. Mr. Shen also acts as head of "Anton College" (HR training centre). Mr. Shen joined the Group in 2007, and was in charge of the tubular service cluster as well as operational management of the Group. Prior to joining the Group, Mr. Shen was employed by CNPC between 1991 and 2006. He has more than 30 years of experience in the petroleum industry. Mr. Shen has a Master of Business Administration degree from Tsinghua University.

**XU Hongjian (徐宏劍)**, aged 40, The financial controller of the company, is in charge of the Group's financial management, asset and capital management work. Mr. Xu joined the Group in 2006 and was responsible for the financial work, risk control and marketing of the Group. Prior to joining the Group, from 2003 to 2006, Mr. Xu worked at Deloitte & Touche LLP and was engaged in financial audit. Mr. Xu holds a bachelor's degree in finance from Fudan University, and a Master of Business Administration degree from Tsinghua University.

# CORPORATE GOVERNANCE REPORT

Since the listing of its shares on the Stock Exchange on 14 December 2007, the Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions (the "Code Provision(s)") under Appendix 14 to the Listing Rules as its own code. The Company has been in compliance with all the applicable Code Provisions for the year ended 31 December 2021.

Under the structure of the existing Board of Directors, there are three Executive Directors, one Non-executive Directors and three Independent Non-executive Directors to ensure the independent and objective running of the Board, and the relevant Board committees play an important role in the Company's decision-making, monitoring and advisory work.

## CORPORATE GOVERNANCE STRUCTURE

As the core of corporate governance for the Company, the Board has distinct duties from those of the management. The Board is responsible for providing direction to and effective supervision of the management, while the management is in charge of executing established strategies and directions. Generally speaking, the Board is responsible for:

- formulating long term strategies of the Group and supervising their execution, its subsidiaries and associated companies;
- approval of operational plan and financial budget;
- approval of the relevant annual and interim results;
- reviewing and monitoring the risk management and internal control of the Group;
- ensuring good corporate governance and compliance; and
- ensuring high quality ESG Management according to the requirement under sustainable growth.

The Board authorized the management to execute established strategies and directions of the Group, the management is in charge of the Group's daily operation and reports to the Board. Accordingly, the Board has set out clear written guidelines, in particular, it clearly determined the scope of authority of the management, and those items requiring the Board's approval.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

The Board of the Company comprises the following Directors:

#### Executive Directors

Mr. LUO Lin *(Chairman)*
Mr. PI Zhifeng
Mr. FAN Yonghong

#### Non-executive Directors

Mr. HUANG Song

#### Independent Non-executive Directors

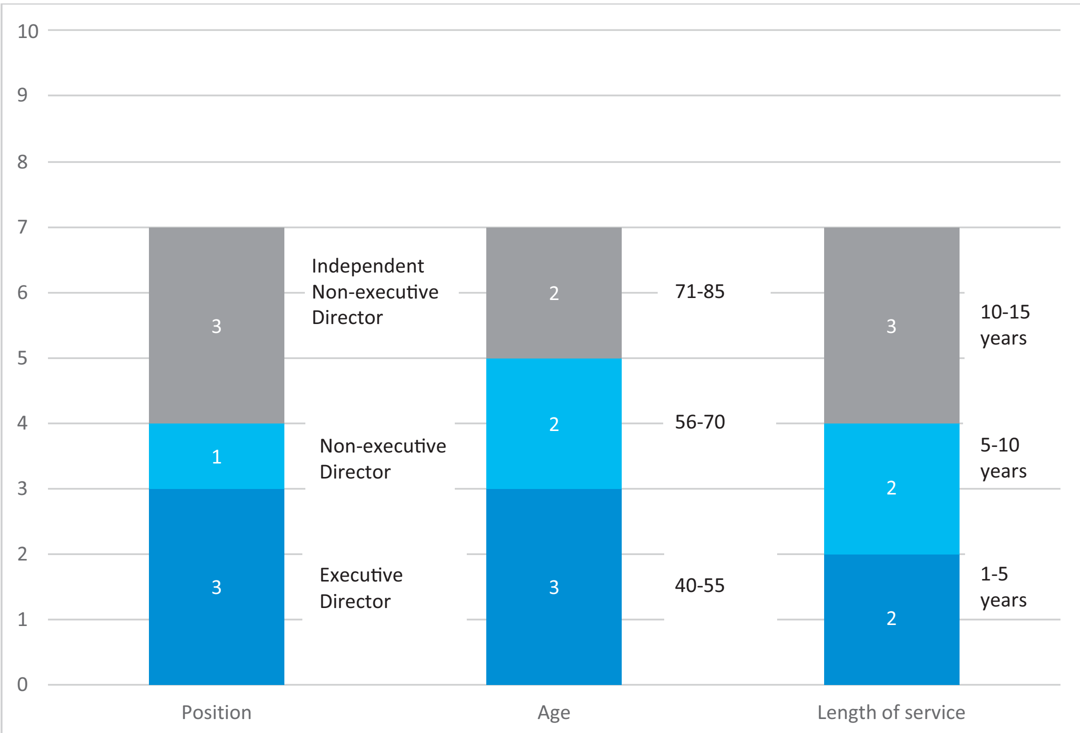
Mr. ZHANG Yongyi
Mr. ZHU Xiaoping
Mr. WEE Yiaw Hin

The biographical information of the Directors are set out on pages 42 to 43 of this Annual Report.

None of the members of the Board is related to one another.

## Board Diversity

The Board recognized the benefits of diversity in the Board in enhancing the Board's effectiveness. In this regard, the Board has adopted a Board Diversity Policy (the "Board Diversity Policy") in August 2013 which sets out the approach to achieve diversity on the Board. The Nomination Committee will give consideration to a number of factors as set out in the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service. Details on the biographies and experience of the Directors are set out on page 42 to page 43 of this annual report.




The Board is considered well balanced and of a diverse mix appropriate for the needs of the Company. The Company will also take into account its own business model and specific needs from time to time to determine the optimal composition of the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

## Chairman and Chief Executive Officer

Code Provision A.2.1 of the Corporate Governance Code in effect in 2021 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company has been in compliance with Code Provision A.2.1 of the Corporate Governance Code in effect in 2021 with Mr. Luo Lin serving as the Chairman of the Company and Mr. Pi Zhifeng serving as the Chief Executive Officer.

## Independence of Independent Non-Executive Directors

The Company has received annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Consequently, the Board is of the opinion that all the current Independent Non-executive Directors comply with the relevant guidelines set out in Rule 3.13 of the Listing Rules, thus the Company regards all the Independent Non-executive Directors as independent parties.

During the year, the Company has complied with the requirements of Rule 3.10 of the Listing Rules and has at least three Independent Non-executive Directors, including one Independent Non-executive Director, Mr. Zhu Xiaoping, with appropriate professional qualifications or accounting or related financial management expertise. Throughout the year, the Board has at least one-third in number of its members comprising Independent Non- executive Directors in compliance with Rule 3.10A of the Listing Rules.

Mr. Zhang Yongyi and Mr. Zhu Xiaoping have served the Board since 17 November 2007. They have served as independent directors for more than 10 years. Mr. Wee Yiaw Hin have served the Board since 19 April 2017. During their years of appointment, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wee Yiaw Hin have demonstrated their ability to provide an independent view to the Company's matters. Notwithstanding their years of service as Independent Non-executive Directors, the Board is of the view that they are able to continue to fulfill their role as required.

## Appointment and Re-Election of The Directors

The term of the appointment for all three Executive Directors, one Non-executive Director and one Independent Non-executive Director, Mr. Wee Yiaw Hin, is three years and the term of the appointment for the another two Independent Non-executive Directors, Mr. ZHANG Yongyi and Mr. ZHU Xiaoping, is one year. According to the Company's Articles of Association, at every annual general meeting of the Company, one-third of the current Directors shall retire from office by rotation (or if the number of the Directors is not three or a multiple of three, then the nearest but not less than one- third) provided that each Director (including those appointed for a specific term but not including those appointed to fill a casual vacancy or as an addition to the existing Board in accordance with Articles 114 and 115) must retire by rotation at least once every three years. The retiring Directors can be re-elected and continue to participate in the relevant meeting in the capacity as Director.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association of the Company. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors.

The newly appointed Directors will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

The Company has arranged appropriate insurance cover to indemnify the Directors and officers of the Group for their potential liabilities incurred by them in discharging their duties.

### Corporate Governance Functions

The Board has adopted the written terms of reference on corporate governance functions in March 2012 so as to perform corporate governance functions effectively. The relevant authority and duties are clearly set out in its terms of reference which are summarized as follows:

(a) To develop and review the Company's corporate governance policies and implementation on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and implementation on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) To review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report.

The following is a summary of the work performed by the Board on corporate governance functions during 2021:

(a) Reviewed the Company's corporate governance policy and the implementation thereof;

(b) Reviewed and monitored the code of conduct and compliance manual applicable to the Directors and employees;

(c) Reviewed the Company's compliance with the Code Provisions; and

(d) Reviewed the Board composition.

## DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all the Directors have fully complied with the required standards stipulated in the Model Code during the year.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2021, the Directors confirmed that they have complied with the Code Provision A.6.5 of the Corporate Governance Code in effect in 2021 on Directors' training. During the year, all the Directors have participated in continuous professional development by attending seminars and/or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

| Name of Directors | Topics on training covered (Notes) | Hours spent |
|---|---|---|
| Mr. Luo Lin | C, L, R | 7 |
| Mr. Pi Zhifeng | C, L, R | 7 |
| Mr. Fan Yonghong | C, L, R | 7 |
| Mr. Huang Song | C, L, R | 7 |
| Mr. Zhang Yongyi | C, L, R | 7 |
| Mr. Zhu Xiaoping | C, L, R | 7 |
| Mr. Wee Yiaw Hin | C, L, R | 7 |

Notes:

C: Corporate governance
L: Listing Rules updates
R: Other relevant regulatory updates

## BOARD/BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

During the reporting year, the Company had convened 9 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meetings, 1 Nomination Committee meeting and 1 ESG committee meeting. Also, the Company had convened an Annual General Meeting during the reporting year.

Attendances of meetings by the Directors during the year were set out in the table below:

| | Meeting attendance/number of meetings | | | | | |
|---|---|---|---|---|---|---|
| Directors | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | ESG Committee Meeting | Annual General Meeting |
| **Executive Directors** | | | | | | |
| Mr. Luo Lin (Chairman of the Board) | 9/9 | N/A | 1/1 | 1/1 | 1/1 | 1/1 |
| Mr. Pi Zhifeng (Chief Executive Officer) | 9/9 | 2/2 | N/A | N/A | 1/1 | 1/1 |
| Mr. Fan Yonghong (President) | 9/9 | N/A | N/A | N/A | 1/1 | 1/1 |
| **Non-executive Director** | | | | | | |
| Mr. Huang Song | 9/9 | N/A | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Zhang Yongyi | 9/9 | 2/2 | N/A | 1/1 | N/A | 1/1 |
| Mr. Zhu Xiaoping | 9/9 | 2/2 | 1/1 | N/A | N/A | 1/1 |
| Mr. Wee Yiaw Hin | 9/9 | 2/2 | 1/1 | 1/1 | N/A | 1/1 |

In addition to the Board Meetings for results announcement, which are held twice per year, the Company also holds Board Meetings every quarter (the "Quarterly Meetings") to better exercise the strategic and monitoring roles of the Board. Senior management is invited to attend to enhance Board and management communications. The Quarterly Meetings mainly focus on the Group's strategy execution, operation status, financial operation and budgeting, and capital market etc., Each quarter, a summary report is made on these areas in the previous quarter and discussions are conducted on the plans in these areas for the next quarter. During the year, the dates of holding the Quarterly Meetings were set out as follows:

| | **1st Quarterly Meeting** | **2nd Quarterly Meeting** | **3rd Quarterly Meeting** | **4th Quarterly Meeting** |
|---|---|---|---|---|
| Date | 26 January 2021 | 22 April 2021 | 22 July 2021 | 11 October 2021 |

## MONTHLY MANAGEMENT REPORT

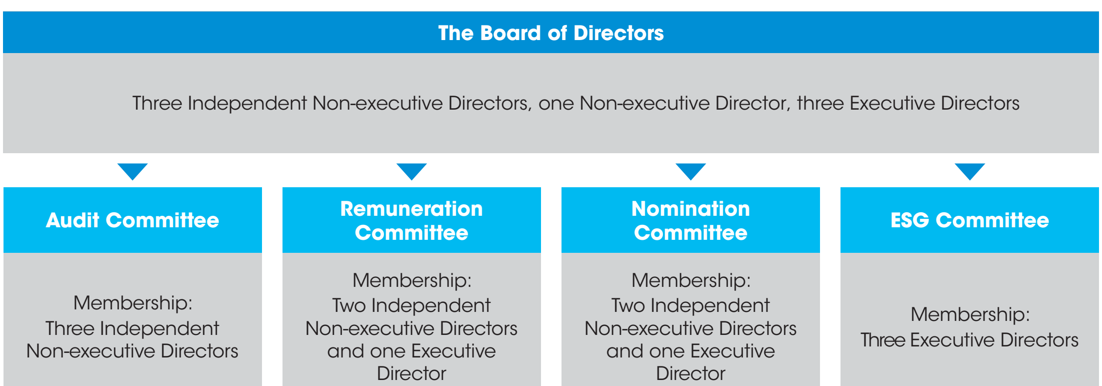
During the inter-sessional period, each Executive Director receives a copy of the financial report and the management report each month, and holds business meetings with the management to obtain information of monthly operating conditions, monitor business progress, and mentor the management with effective planning.

Management will report to all Board Members a monthly briefing which concludes important issues in relation to the marketing, operation, business development, human resources and capital market etc.

## BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (all chaired by Independent Non-executive Director) with defined terms of reference (available on the Company's website) since the listing of the Company, which are of no less exacting terms than those set out in the Corporate Governance Code.

In addition, the Board has also established QHSE (Quality, Health, Safety, Environment) Committee on 21 January 2013 and subsequently upgrade to ESG (Environmental, Social and Governance) Committee on 21 May 2020.




Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. To further reinforce independence and effectiveness, all the Audit Committee members are the Independent Non-executive Directors, and the Nomination and Remuneration Committees have been structured with a majority of the Independent Non-executive Directors as members since their establishment in November 2007.

## Audit Committee

There are three members in the Audit Committee, all of them are the Independent Non-executive Directors, namely Mr. Zhu Xiaoping, Mr. Zhang Yongyi and Mr. Wee Yiaw Hin. Mr. Zhu Xiaoping is the Chairman of the Audit Committee. Mr. Zhu Xiaoping has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 (2) of the Listing Rules. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Audit Committee are as follows:

(a) To monitor the relationship between the Company and the external auditors, make proposals to the Board on the appointment, renewal and dismissal of the external auditors of the Group as well as the relevant remuneration and terms of appointment;

(b) To review the Company's financial information; and

(c) To oversee of the Company's financial reporting system and internal control procedures.

The Audit Committee held 2 meetings during 2021 and the following major matters were reviewed and discussed in the meetings:

(a) Reviewed the Group's annual results of 2020 and the interim results of 2021 and made recommendations to the Board for approval;

(b) Made recommendation on the re-appointment of the auditor; and

(c) Reviewed the financial reporting system and the internal control system.

## Remuneration Committee

The Remuneration Committee comprises two Independent Non-executive Directors, Mr. Wee Yiaw Hin and Mr. Zhu Xiaoping, and one Executive Director, Mr. Luo Lin. Mr. Wee Yiaw Hin is the Chairman of the Remuneration Committee. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Remuneration Committee are as follows:

(a) To review and recommend the terms of remuneration, benefits, bonus and other allowances of the Directors and senior management;

(b) To submit proposals to the Board on the remuneration policy and structure of all the Directors and senior management; and

(c) To approve and monitor the execution of the Company's Share Option Scheme.

The Board has authority to approve the recommendations made by the Remuneration Committee.

The Remuneration Committee held 1 meeting during 2021 and reviewed overall remuneration structure adjustment and the performance based incentive mechanism of the Group.

## Nomination Committee

The Nomination Committee is composed of two Independent Non-executive Directors, Mr. Zhang Yongyi and Mr. Wee Yiaw Hin, and one Executive Director, Mr. Luo Lin. Mr. Zhang Yongyi is the Chairman of the Nomination Committee. The authority and duties of this Committee are clearly set out in its terms of reference.

The major roles and functions of the Nomination Committee are as follows:

(a) To review the structure, number and composition and diversity of the Board and make recommendation to the Board on the policy and procedures for the nomination of Directors;

(b) To identify individuals suitably qualified to become Board members and may select individuals nominated for directorship, and consider individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(c) To make recommendations to the Board on the appointment or re-appointment of Directors, succession planning for Directors, in particular the chairman and the chief executive;

(d) To review the independence of the Independent Non-executive Directors and submit proposals to the Board; and

(e) To review the Board Diversity Policy in particular the measurable objectives contained therein to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee held 1 meeting during 2021 to discuss the current structure of the Board of Directors and discuss the candidates for nominations to the Board of Directors.



## ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) COMMITTEE (FORMERLY KNOWN AS QHSE (QUALITY, HEALTH, SAFETY, ENVIRONMENT) COMMITTEE)

The Company set up the QHSE Committee on 21 January 2013 and further upgraded to ESG Committee on 21 May 2020. The ESG Committee is composed of three Executive Directors, Mr. Luo Lin, Mr. Pi Zhifeng and Mr. Fan Yonghong. Mr. Pi Zhifeng is the Chairman of the ESG Committee. The ESG Committee aims to build an advanced governance structure of employee stock ownership and construct an environmental-friendly business model to reduce harm to the environment, improve the efficiency of resource use, help talents grow, promote stakeholder development, community progress and achieve long-term sustainable development. Such upgrading of the Board committee is aimed to further enhance and better promote the ESG-related work of the Group on a top-down basis. The ESG Committee meets at least once every year.

The major roles and functions of the ESG Committee are as follows:

1. To assist the Board to review and evaluate the current status of the Group's environmental, social and governance performance;

2. To make recommendations to the Board in respect of matters potentially affecting the Group's environmental, social and governance standards and the Group's environmental, social and governance policy formulation and system establishment;

3. To assist the Board to supervise the implementation of the Group's environmental, social and governance policies; and

4. To evaluate and review the ESG report, and be responsible for submitting the reviewed report to the Board to ensure the Board's full participation in ESG governance and report disclosure.

The ESG Committee held 1 meeting during the year to reviewing and discuss the Company's work on ESG and planning the forthcoming work.

## REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 December 2021 was set out below:

| Remuneration band | Number of individuals |
|---|---|
| HK$1,500,001 – HK$2,000,000 | 1 |

## ACCOUNTABILITY AND AUDIT

The Directors understand that they must assume the responsibility of preparing the financial accounts of each year. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis.

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 58 to 148 of the Independent Auditor's Report.

## AUDITOR'S REMUNERATION

An analysis of the remuneration for audit and non-audit services provided by the auditor appointed by the Group during the year is as follows:

| | **2021**<br>**RMB '000** |
|---|---|
| Audit services | **4,800** |
| Non-audit services | **300** |
| Total: | **5,100** |

## COMPANY SECRETARY

Ms. Au-Yeung Nelly ("Ms Au-Yeung") of Tricor Services Limited has been engaged by the Company as the company secretary. The primary contact person of the Company is Mr Pi Zhifeng, the Executive Director and Chief Executive Officer of the Company.

Ms. Au-Yeung has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain effective risk management and internal control systems of the Company in order to manage rather than eliminate risks of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss.

The Company implemented various policies and procedures to ensure effective risk management at each aspect of its operation, including the provision of construction operations management, on-site inspection, surveying and sampling services, administration of daily operation, financial reporting and recording, compliance with applicable laws and regulations on environmental protection and workplace safety.

During the year, the Group had reviewed its internal control system. Based on the review, the Board was satisfied with the effectiveness of the current internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's activity and financial reporting function.



The Group has set up the Internal Audit Department, the Legal Department and the Quality Control Department in charge of the internal control and risk management duties. The Executive Directors of the Company receive internal financial report and management report every month for monitoring the operational progress of each business department and making reasonable planning.

The Group has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the Securities and Futures Ordinance.

## SHAREHOLDERS' RIGHTS

The Company encourages shareholders to attend shareholders' meetings. Directors, chairman of each of Audit Committee, Remuneration Committee, Nomination Committee (or a delegated member of the Committee), chairman of the independent board committee (if any) and management will attend the annual general meeting of the Company to answer queries about the Group's business.

In 2021, the Company had convened one annual general meeting (the "2021 AGM"). The 2021 AGM provided an ideal chance for communication between the Board and the shareholders. The Chairmen of the Board, Audit Committee, Remuneration Committee and Nomination Committee and the Company's external auditor were all present at the AGM held on 25 May 2021, to answer shareholders' inquiries.

## THE PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM")

Pursuant to the Article 79 of the Articles of Association of the Company, any two or more members of the Company or any one member of the Company which is a recognized clearing house (or its nominee (s)) holding at the date of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company shall deposit the written requisition at the principal office of the Company in Hong Kong, which is presently situated at Level 54, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong specifying the objects of the meeting and signed by the requisitionist(s) (the "Requisitionist(s)").

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months form the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

## THE PROCEDURES AND CONTACT DETAILS FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

The annual general meeting and other general meetings provide an important opportunity for shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer shareholders' questions.

Shareholders attending at the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

## CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2021.

## THE PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY DIRECTED

Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong. The contact details for the Share Registrar are:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2865 0990
Website: www.computershare.com

To contact the Company in relation to your query about the Company, the contact details are as follows:

Tel: (86 10) 5739 7746
Email: ir@antonoil.com

## DISCLAIMERS

*The information contained in the section headed "Shareholders' Rights" in this Annual Report is for reference only and does not represent and shall not be regarded as legal or professional advice to the shareholders. Shareholders should seek their own independent legal advice as to their rights as shareholders of the Company. The Company disclaims any and all liabilities and losses that may be incurred by the shareholders for using or relying on any information contained in the section headed "Shareholders' Rights" in this Annual Report.*

## FINANCIAL CALENDAR 2022

### Final Results Announcement For The Year Ended 31 December 2021

29 March 2022

### Last Day to Register for Attending 2022 Annual General Meeting

19 May 2022

### 2022 Annual General Meeting

25 May 2022

Deloitte. 德勤

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF ANTON OILFIELD SERVICES GROUP**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 148, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF ANTON OILFIELD SERVICES GROUP** *(Continued)*
*(incorporated in the Cayman Islands with limited liability)*

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition from provision of services** | |
| We identified revenue recognition from provision of services as a key audit matter due to the significance of revenue generated from provision of services and the inherent risk of manipulating revenue recognition from provision of services by the management.<br><br>As disclosed in Note 22, the Group is mainly engaged in provision of services through contracts with its customers. Revenue from provision of services amounting to RMB2,671,791,000 for the year ended 31 December 2021 accounted for 91.4% of the Group's total revenue in the consolidated statement of profit or loss.<br><br>Revenue from provision of services is a key performance indicator of the Group which affects the management's reward and also is a focus of investors.<br><br>Details of revenue recognition from provision of services and its accounting policies are set out in Note 22 and Note 3, respectively, to the consolidated financial statements. | Our procedures in relation to revenue recognition from provision of services included:<br><br>• understanding and evaluating the key internal controls relevant to the audit on revenue recognition from provision of services;<br><br>• examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations and the associated revenue recognition;<br><br>• obtaining confirmations for the services provided to the selected major customers; and<br><br>• inspecting, on a sample basis, the customer acceptance documents, the contracts and invoices evidencing that the performance obligations of services were satisfied and control was transferred. |

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF ANTON OILFIELD SERVICES GROUP** *(Continued)*
*(incorporated in the Cayman Islands with limited liability)*

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF ANTON OILFIELD SERVICES GROUP** *(Continued)*
*(incorporated in the Cayman Islands with limited liability)*

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF ANTON OILFIELD SERVICES GROUP** *(Continued)*
*(incorporated in the Cayman Islands with limited liability)*

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 March 2022

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

| | Notes | As at 31 December **2021** | 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **1,997,604** | 2,099,390 |
| Right-of-use assets | 7 | **103,469** | 137,951 |
| Goodwill | 8 | **242,004** | 242,004 |
| Intangible assets | 9 | **285,479** | 273,652 |
| Interest in a joint venture | | **2,706** | 3,949 |
| Interests in associates | | **4,018** | 2,000 |
| Prepayments and other receivables | 12 | **55,017** | 66,428 |
| Deferred income tax assets | 21 | **19,140** | 21,993 |
| | | **2,709,437** | 2,847,367 |
| **Current assets** | | | |
| Inventories | 10 | **944,959** | 930,618 |
| Trade and notes receivables | 11 | **2,096,280** | 2,133,789 |
| Contract assets | 22(ii)(a) | **20,699** | 30,618 |
| Prepayments and other receivables | 12 | **789,912** | 605,475 |
| Restricted bank deposits | 13 | **414,892** | 454,169 |
| Cash and cash equivalents | 13 | **1,173,186** | 879,085 |
| | | **5,439,928** | 5,033,754 |
| **Total assets** | | **8,149,365** | 7,881,121 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

| | Notes | As at 31 December **2021** | 2020 |
|---|---|---|---|
| **EQUITY** | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | 14 | **276,274** | 276,273 |
| Reserves | 15 | **2,411,146** | 2,349,839 |
| | | **2,687,420** | 2,626,112 |
| Non-controlling interests | | **140,741** | 137,609 |
| **Total equity** | | **2,828,161** | 2,763,721 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term bonds | 16 | **929,984** | 1,855,625 |
| Long-term borrowings | 17 | **48,152** | 131,388 |
| Lease liabilities | 18 | **8,236** | 31,771 |
| Deferred income tax liabilities | 21 | **9,748** | 9,998 |
| | | **996,120** | 2,028,782 |
| **Current liabilities** | | | |
| Short-term borrowings | 17 | **718,125** | 763,953 |
| Current portion of long-term bonds | 16 | **1,164,144** | 11,034 |
| Current portion of long-term borrowings | 17 | **83,195** | 163,639 |
| Trade and notes payables | 19 | **1,525,467** | 1,403,295 |
| Accruals and other payables | 20 | **599,158** | 534,581 |
| Lease liabilities | 18 | **24,426** | 34,384 |
| Contract liabilities | | **33,400** | 37,982 |
| Current income tax liabilities | | **177,169** | 139,750 |
| | | **4,325,084** | 3,088,618 |
| **Total liabilities** | | **5,321,204** | 5,117,400 |
| **Total equity and liabilities** | | **8,149,365** | 7,881,121 |

The consolidated financial statements on pages 63 to 148 were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

*Chairman*
**Luo Lin**

*Executive Director*
**Pi Zhifeng**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

| | Notes | Year ended 31 December **2021** | 2020 |
|---|---|---|---|
| Revenue | | | |
| Goods and services | 22 | **2,758,541** | 2,823,638 |
| Rental | 22 | **165,025** | 264,014 |
| Total revenue | 22 | **2,923,566** | 3,087,652 |
| Cost of sales | 23 | **(2,021,306)** | (2,277,830) |
| **Gross profit** | | **902,260** | 809,822 |
| Other gains, net | 24 | **24,919** | 40,279 |
| Impairment losses under expected credit loss model, net of reversal | 25 | **(45,891)** | (83,437) |
| Selling expenses | 23 | **(140,673)** | (175,487) |
| Administrative expenses | 23 | **(228,711)** | (198,959) |
| Research and development expenses | 23 | **(70,766)** | (56,327) |
| Sales tax and surcharges | | **(11,659)** | (11,360) |
| **Operating profit** | | **429,479** | 324,531 |
| Interest income | 26 | **6,205** | 18,760 |
| Finance expenses | 26 | **(258,375)** | (312,693) |
| Finance costs, net | 26 | **(252,170)** | (293,933) |
| Share of (loss)/profit of a joint venture | | **(1,243)** | 141 |
| Share of profit of associates | | **18** | – |
| Profit before income tax | | **176,084** | 30,739 |
| Income tax expense | 28 | **(100,734)** | (114,499) |
| **Profit/(loss) for the year** | | **75,350** | (83,760) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **72,218** | (95,844) |
| Non-controlling interests | | **3,132** | 12,084 |
| | | **75,350** | (83,760) |
| **Earnings/(Loss) per share attributable to the owners of the Company for the year (expressed in RMB per share)** | | | |
| – Basic | 29 | **0.0249** | (0.0322) |
| – Diluted | 29 | **0.0246** | (0.0322) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

| | Notes | Year ended 31 December 2021 | 2020 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **75,350** | (83,760) |
| **Other comprehensive income/(expense), net of tax:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Net investment hedge | 15(b) | **36,633** | 111,612 |
| Financial instruments measured at fair value through other comprehensive income | | **1,569** | (7,512) |
| Currency translation differences | 15(a) | **(57,555)** | (269,051) |
| **Other comprehensive expense for the year, net of tax** | | **(19,353)** | (164,951) |
| **Total comprehensive income/(expense) for the year** | | **55,997** | (248,711) |
| **Total comprehensive income/(expense) attributable to:** | | | |
| – Owners of the Company | | **52,865** | (260,795) |
| – Non-controlling interests | | **3,132** | 12,084 |
| | | **55,997** | (248,711) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

| | | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Treasury shares | Share premium | Capital reserve Note 15(d) | Statutory reserve Note 15(c) | Retained earnings | Other reserves | Subtotal | Non-controlling interests | Total equity |
| **Balance at 1 January 2020** | | 276,273 | - | 1,049,570 | 444,191 | 76,900 | 1,088,379 | (33,175) | 2,902,138 | 55,525 | 2,957,663 |
| **Comprehensive (expense)/ income** | | | | | | | | | | | |
| (Loss)/profit for the year | | - | - | - | - | - | (95,844) | - | (95,844) | 12,084 | (83,760) |
| **Other comprehensive income/ (expense)** | | | | | | | | | | | |
| - Net investment hedge | 15(b) | - | - | - | - | - | - | 111,612 | 111,612 | - | 111,612 |
| - Financial instruments measured at fair value through other comprehensive income | | - | - | - | - | - | - | (7,512) | (7,512) | - | (7,512) |
| - Currency translation differences | 15(a) | - | - | - | - | - | - | (269,051) | (269,051) | - | (269,051) |
| **Total comprehensive (expense)/ income** | | - | - | - | - | - | (95,844) | (164,951) | (260,795) | 12,084 | (248,711) |
| - Repurchase of ordinary shares | 14 | - | (32,600) | - | - | - | - | - | (32,600) | - | (32,600) |
| - Share option scheme | 14 | - | - | - | 17,369 | - | - | - | 17,369 | - | 17,369 |
| - Capital injection from a non-controlling interest | | - | - | - | - | - | - | - | - | 70,000 | 70,000 |
| **Total transactions with owners, recognised directly in equity** | | - | (32,600) | - | 17,369 | - | - | - | (15,231) | 70,000 | 54,769 |
| **Balance at 31 December 2020** | | 276,273 | (32,600) | 1,049,570 | 461,560 | 76,900 | 992,535 | (198,126) | 2,626,112 | 137,609 | 2,763,721 |

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

| | | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Treasury shares | Share premium | Capital reserve Note 15(d) | Statutory reserve Note 15(c) | Retained earnings | Other reserves | Subtotal | Non-controlling interests | Total equity |
| **Balance at 1 January 2021** | | 276,273 | (32,600) | 1,049,570 | 461,560 | 76,900 | 992,535 | (198,126) | 2,626,112 | 137,609 | 2,763,721 |
| **Comprehensive income/ (expense)** | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 72,218 | - | 72,218 | 3,132 | 75,350 |
| **Other comprehensive income/ (expense)** | | | | | | | | | | | |
| - Net investment hedge | 15(b) | - | - | - | - | - | - | 36,633 | 36,633 | - | 36,633 |
| - Financial instruments measured at fair value through other comprehensive income | | - | - | - | - | - | - | 1,569 | 1,569 | - | 1,569 |
| - Currency translation differences | 15(a) | - | - | - | - | - | - | (57,555) | (57,555) | - | (57,555) |
| **Total comprehensive income/ (expense)** | | - | - | - | - | - | 72,218 | (19,353) | 52,865 | 3,132 | 55,997 |
| - Repurchase of ordinary shares | 14 | - | (19,438) | - | - | - | - | - | (19,438) | - | (19,438) |
| - Share option exercised | 14 | 1 | - | 8 | (3) | - | - | - | 6 | - | 6 |
| - Share option scheme and restricted share award scheme | 14 | - | - | - | 27,875 | - | - | - | 27,875 | - | 27,875 |
| - Vesting of shares under restricted share award scheme | | - | 10,170 | - | (10,170) | - | - | - | - | - | - |
| **Total transactions with owners, recognised directly in equity** | | 1 | (9,268) | 8 | 17,702 | - | - | - | 8,443 | - | 8,443 |
| **Balance at 31 December 2021** | | 276,274 | (41,868) | 1,049,578 | 479,262 | 76,900 | 1,064,753 | (217,479) | 2,687,420 | 140,741 | 2,828,161 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

| | Notes | Year ended 31 December 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash inflows from operations | 31 | **811,752** | 859,642 |
| Interest received | 26 | **6,205** | 18,760 |
| Income tax paid | | **(60,712)** | (73,036) |
| Net cash generated from operating activities | | **757,245** | 805,366 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(178,307)** | (138,485) |
| Proceeds from disposal of property, plant and equipment | | **7,420** | 7,558 |
| Purchase of intangible assets | | **(48,350)** | (38,992) |
| Investment in an associate | | **(2,000)** | – |
| Net cash used in investing activities | | **(221,237)** | (169,919) |
| **Cash flows from financing activities** | | | |
| Proceeds from short-term borrowings | | **1,005,304** | 993,653 |
| Repayments of short-term borrowings | | **(1,047,050)** | (728,194) |
| Proceeds from long-term borrowings | | **-** | 147,000 |
| Repayments of long-term borrowings | | **(163,426)** | (146,915) |
| Proceeds from long-term bonds | | **536,167** | – |
| Repayments of long-term bonds | | **-** | (685,367) |
| Repurchase of long-term bonds | | **(339,535)** | (1,418,078) |
| Repayments of lease liabilities | | **(40,170)** | (43,535) |
| Proceeds from share options exercised | 14 | **6** | – |
| Capital injection from a non-controlling interest | | **-** | 70,000 |
| Interest paid | | **(177,470)** | (325,568) |
| Repurchase of ordinary shares | 14 | **(19,438)** | (32,600) |
| Withdrawal of restricted bank deposits | | **-** | 10,260 |
| Cash received relating to other financing activities | | **13,500** | – |
| Net cash used in financing activities | | **(232,112)** | (2,159,344) |
| **Net increase/(decrease) in cash and cash equivalents** | | **303,896** | (1,523,897) |
| Cash and cash equivalents at beginning of the year | | **879,085** | 2,422,874 |
| Exchange loss on cash and cash equivalents | | **(9,795)** | (19,892) |
| **Cash and cash equivalents at end of the year** | | **1,173,186** | 879,085 |

For The Year Ended 31 December 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

## 1. GENERAL INFORMATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the "PRC") and other overseas countries. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2007.

The directors of the Company (the "Directors") regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") *(Continued)*

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | *Insurance Contracts and the related Amendments*[3] |
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[3] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[3] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3] |
| Amendments to IAS 16 | *Property, Plant and Equipment-Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| Amendments to IFRS Standards | *Annual Improvements to IFRS Standards 2018-2020*[2] |

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories*, or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group has the power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, executive vice presidents and directors who make strategic decisions.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the functional currency. The financial statements are presented in RMB, which is the Company's functional currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when deferred in other comprehensive income as qualifying net investment hedge.

#### Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the financial period;

(ii) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. This includes the costs of construction, machinery and other expenditures necessary for the purpose of preparing the construction-in-progress for its intended use and those borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction-in-progress is not depreciated until such time as the relevant asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method except for drill pipes are depreciated using unit-of-production method, to allocate their costs to their residual values over their estimated useful lives, as follows:

| | **Estimated useful life** |
|---|---|
| Buildings | 5-50 years |
| Machinery and equipment | 5-10 years |
| Motor vehicles | 5-10 years |
| Furniture, fixtures, leasehold improvements and others | 3-5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the financial period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net", in the consolidated statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### Intangible assets

#### Computer software

Computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years.

#### Patents

Patents are initially recorded at actual cost incurred to acquire and amortised on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years. Development costs that are directly attributable to the design, development and application of patents are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the patents so that it will be available for use;
- Management intends to complete the patents and use or sell it;
- There is an ability to use or sell the patents;
- It can be demonstrated how the patents will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patents are available; and
- The expenditure attributable to the patents during its development can be reliably measured.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets *(Continued)*

#### Patents *(Continued)*

Directly attributable costs that are capitalised as part of the patent include material costs, patent development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Financial assets

**Classification and subsequent measurement of financial assets**

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Classification and subsequent measurement of financial assets** *(Continued)*

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income and accumulated under the heading of other reserves. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Impairment of financial assets and other items subject to impairment assessment under IFRS 9**

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables from goods and services, notes receivable, other receivables, restricted bank deposits and cash and cash equivalents), and other items (lease receivables and contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables from goods and services, contract assets and lease receivables. For trade receivables from goods and services, contract assets and lease receivables with significant balances mainly from large multinational and state-owned oil companies, the ECL are assessed individually. For trade receivables from goods and services from private and relatively small customers, the ECL are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Impairment of financial assets and other items subject to impairment assessment under IFRS 9** *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Impairment of financial assets and other items subject to impairment assessment under IFRS 9** *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Impairment of financial assets and other items subject to impairment assessment under IFRS 9** *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables from goods and services from private and relatively small customers are assessed as a separate group);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables from goods and services, other receivables, contract assets and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial assets *(Continued)*

**Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group entity or the counterparty.

### Financial liabilities and equity

**Classification as debt or equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Financial liabilities at amortised cost**

Financial liabilities including long-term borrowings, current portion of long-term borrowings, short-term borrowings, long-term bonds, current portion of long-term bonds, trade and notes payables and part of accruals and other payables are subsequently measured at amortised cost, using the effective interest method.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### Financial liabilities and equity *(Continued)*

**Non-substantial modifications of financial liabilities**

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities is calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The difference between the aggregate considerations paid for repurchase of shares and the deduction of share capital is recognised in share premium.

### Hedging activities

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

### Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Hedging activities *(Continued)*

#### Net investment hedge

A proportion of the Group's US$ denominated long-term bonds has been designated as hedging instrument for the US$ denominated net investment in the Group's overseas subsidiaries.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in other reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains, net' line item.

Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in other reserve are reclassified to profit or loss on disposal of the foreign operation.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of project-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits.

### Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Current and deferred income tax *(Continued)*

#### Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of financial period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, a joint venture and an associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, a joint venture and an associate only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

#### Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits

#### Pension and other social obligations

The Group has various defined contribution plans for pensions, housing fund and other social obligations in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which the Group pays fixed contributions into a separate publicly administered pension and/or other social insurance plan on mandatory bases. The Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when incurred.

#### Share-based compensation

The Group operates a number of equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted at the grant date:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the cash subscribed for the shares issued is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs; and the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will continue to be held in capital reserve.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### Treasury shares and restricted share award scheme

Under the restricted share award scheme, the amount paid to repurchase the Group's ordinary shares is included in treasury shares. When the awarded shares are vested, the fair value of the vested shares is released from the capital reserve to eliminate the related cost of treasury shares held for the restricted share award scheme. Any difference between the fair value of the vested shares and the related cost of treasury shares is transferred to share premium.

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers *(Continued)*

#### Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, typically drilling technology service and well completion service (within oilfield technology services) in one contract, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

**Output method**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

### Leases

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

### The Group as a lessee

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to leases of buildings and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

**Right-of-use assets**

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### The Group as a lessee *(Continued)*

**Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### The Group as a lessor

**Classification and measurement of leases**

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Rental income which are derived from the Group's ordinary course of business are presented as revenue.

**Sublease**

The Group leases certain drilling equipment from its suppliers and then leases to its customers. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

### Government grants

Grants from the government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to cost are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the related costs that they are intended to compensate.

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (a) Provision of ECL for trade receivables from goods and services

The impairment of trade receivables from goods and services under ECL model is determined by the management based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group uses provision matrix to calculate ECL for the trade receivables from goods and services from private and relatively small customers. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables from goods and services with significant balances from large multinational and state-owned oil companies or credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. In estimating the provision of ECL, the management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. As at 31 December 2021, the carrying amount of trade receivables from goods and services was RMB1,916,216,000 (31 December 2020: RMB1,803,419,000), already net of accumulated expected credit loss of RMB314,381,000 (31 December 2020: RMB268,490,000). The information about the ECL and the Group's trade receivables from goods and services are disclosed in Note 34.2(b)(i) and Note 11.



## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### (b) Impairment of inventory

Inventories are reviewed for impairment whenever events or changes in circumstances cause their cost to exceed their net realisable value. Cost is determined on the weighted average basis. The determination of net realisable value of the inventories requires the use of estimates. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the net realisable value of inventories and a provision may be made or reversed in the year in which these estimates have been changed. As at 31 December 2021, the carrying amount of inventories was RMB944,959,000 (31 December 2020: RMB930,618,000), already net of accumulated impairment loss of RMB127,490,000 (31 December 2020: RMB103,203,000).

### (c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculations require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, a material impairment loss may arise. As at 31 December 2021 and 2020, the carrying amount of goodwill was RMB242,004,000, already net of accumulated impairment loss of RMB26,325,000. Details of the key assumptions used by the management in goodwill impairment assessment are set out in Note 8.

## 5. SEGMENT INFORMATION

The chief executive officer, president, executive vice presidents and Directors are the Group's chief operating decision makers (the "CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the CODM make decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

In 2021, in order to optimise resource allocation and achieve efficient synergy, the CODM assess performance of reportable segments from the previous three of "drilling technology services", "well completion service" and "oil production services" into four new segments as "oilfield technical services", "oilfield management services", "drilling rig services" and "inspection services".

Oilfield technical services cover the full life cycle of oil and gas development, including geological technology, drilling technology, well completion and stimulation technology as well as asset leasing services for the industry.

Oilfield management services are the asset management services the Group provides to the oil companies worldwide, featured with profound capacity and light-asset. The services include integrated field management services, production capacity construction, development management, field operation and maintenance, etc.

Drilling rig services provide customers with services which require rigs, includes drilling and workover services.

Inspection services provide customers with various assets inspection, detections and repairing services together with digital and intelligent transformation solutions, assisting our customers to assure asset security and to achieve energy saving, efficiency lifting, and environment protection.

All of the four reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into four single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customer for their services and products and the method used to provide their services and distribute their products.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in Note 3. The CODM evaluate the performance of the operating segments based on profit before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit/(loss) of a joint venture and associates, asset impairment provisions and corporate overheads ("EBITDA") and the reconciliation of EBITDA to profit or loss. The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 5. SEGMENT INFORMATION *(Continued)*

| | Oilfield technical services | Oilfield management services | Drilling rig services | Inspection services | Total |
|---|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | | |
| Revenue | **1,337,515** | **918,867** | **393,589** | **273,595** | **2,923,566** |
| **EBITDA** | **506,050** | **392,557** | **137,364** | **96,966** | **1,132,937** |
| Depreciation and amortisation | **(268,480)** | **(8,077)** | **(55,702)** | **(14,669)** | **(346,928)** |
| Asset impairment provision of | | | | | |
| – Inventories | **(23,079)** | **(486)** | **(722)** | **-** | **(24,287)** |
| – Trade receivables | **(37,853)** | **(4,870)** | **(2,099)** | **(1,069)** | **(45,891)** |
| Interest income | **193** | **2,076** | **45** | **74** | **2,388** |
| Finance expenses | **(13,045)** | **(5,308)** | **(3,086)** | **(1,270)** | **(22,709)** |
| Share of loss of a joint venture | **(1,243)** | **-** | **-** | **-** | **(1,243)** |
| Share of profit of associates | **18** | **-** | **-** | **-** | **18** |
| Income tax expense | **(23,976)** | **(51,469)** | **(11,883)** | **(13,406)** | **(100,734)** |
| Segment results | **138,585** | **324,423** | **63,917** | **66,626** | **593,551** |
| Unallocated corporate overheads | | | | | **(518,201)** |
| Profit for the year | | | | | **75,350** |
| **For the year ended 31 December 2020** | | | | | |
| Revenue | 1,351,095 | 824,171 | 725,465 | 186,921 | 3,087,652 |
| **EBITDA** | 476,209 | 321,868 | 204,839 | 62,623 | 1,065,539 |
| Depreciation and amortisation | (259,091) | (6,663) | (59,632) | (14,192) | (339,578) |
| Asset impairment provision of | | | | | |
| – Inventories | (18,978) | (400) | (593) | – | (19,971) |
| – Trade receivables | (78,454) | (4,625) | (357) | (1) | (83,437) |
| Interest income | 159 | 2,631 | 4 | 73 | 2,867 |
| Finance expenses | (14,796) | (6,020) | (3,501) | (1,440) | (25,757) |
| Share of profit of a joint venture | 141 | – | – | – | 141 |
| Income tax expense | (42,782) | (47,164) | (14,195) | (10,358) | (114,499) |
| Segment results | 62,408 | 259,627 | 126,565 | 36,705 | 485,305 |
| Unallocated corporate overheads | | | | | (569,065) |
| Loss for the year | | | | | (83,760) |
| **As at 31 December 2021** | | | | | |
| **Segment assets** | **3,977,983** | **867,121** | **811,823** | **339,897** | **5,996,824** |
| Segment assets include: | | | | | |
| Capital expenditures | **188,128** | **14,372** | **39,333** | **10,817** | **252,650** |
| **As at 31 December 2020** | | | | | |
| **Segment assets** | 4,075,443 | 777,368 | 828,255 | 346,776 | 6,027,842 |
| Segment assets include: | | | | | |
| Capital expenditures | 251,198 | 18,964 | 52,520 | 14,669 | 337,351 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 5. SEGMENT INFORMATION *(Continued)*

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

Reportable segments' assets are reconciled to total assets as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Assets for reportable segments | **5,996,824** | 6,027,842 |
| Corporate assets for general management | **2,152,541** | 1,853,279 |
| **Total assets** | **8,149,365** | 7,881,121 |

The Group allocates revenue on the basis of the location in which the sales are originated.

**Geographical Information**

| | Revenue Year ended 31 December | | Non-current assets As at 31 December | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| PRC | **1,468,002** | 1,832,837 | **1,788,601** | 1,938,609 |
| Republic of Iraq ("Iraq") | **1,038,000** | 961,079 | **717,840** | 723,292 |
| Other countries | **417,564** | 293,736 | **183,856** | 163,473 |
| **Total** | **2,923,566** | 3,087,652 | **2,690,297** | 2,825,374 |

Note:

The balance of deferred income tax assets is not included in the balance of non-current assets disclosed here.

**Client information**

For the year ended 31 December 2021, revenues of approximately RMB1,537,167,000 (2020: RMB1,465,289,000) were derived from two external customers, which contributed 34.52% and 18.06% (2020: 31.40% and 16.06%) to the total revenue respectively. These revenues were mainly attributable to oilfield technical services and oilfield management services segments (2020: oilfield technical services and oilfield management services segments).

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 6. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery and equipment | Motor vehicles | Furniture, fixtures, leasehold improvements and others | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2020** | | | | | | |
| Cost | 737,310 | 2,473,968 | 54,626 | 149,550 | 190,637 | 3,606,091 |
| Accumulated depreciation | (141,703) | (1,199,910) | (41,415) | (85,197) | – | (1,468,225) |
| Carrying values | 595,607 | 1,274,058 | 13,211 | 64,353 | 190,637 | 2,137,866 |
| **Year ended 31 December 2020** | | | | | | |
| **As at 1 January 2020** | 595,607 | 1,274,058 | 13,211 | 64,353 | 190,637 | 2,137,866 |
| Additions | – | 21,983 | 439 | 318 | 269,792 | 292,532 |
| Transfer in/(out) | 50,476 | 112,429 | 4,378 | 6,112 | (173,395) | – |
| Depreciation charge | (31,306) | (219,850) | (2,913) | (20,651) | – | (274,720) |
| Disposals | (3,316) | (6,728) | (70) | (375) | – | (10,489) |
| Currency translation differences | (7,985) | (22,074) | (334) | (1,294) | (14,112) | (45,799) |
| **As at 31 December 2020** | 603,476 | 1,159,818 | 14,711 | 48,463 | 272,922 | 2,099,390 |
| **As at 31 December 2020** | | | | | | |
| Cost | 772,651 | 2,413,947 | 57,604 | 147,323 | 272,922 | 3,664,447 |
| Accumulated depreciation | (169,175) | (1,254,129) | (42,893) | (98,860) | – | (1,565,057) |
| Carrying values | 603,476 | 1,159,818 | 14,711 | 48,463 | 272,922 | 2,099,390 |
| **Year ended 31 December 2021** | | | | | | |
| **As at 1 January 2021** | **603,476** | **1,159,818** | **14,711** | **48,463** | **272,922** | **2,099,390** |
| Additions | **-** | **29,014** | **384** | **2,797** | **162,544** | **194,739** |
| Transfer in/(out) | **15,880** | **234,953** | **1,956** | **7,740** | **(260,529)** | **-** |
| Depreciation charge | **(33,588)** | **(221,893)** | **(3,458)** | **(11,275)** | **-** | **(270,214)** |
| Disposals | **-** | **(6,516)** | **(67)** | **(618)** | **-** | **(7,201)** |
| Currency translation differences | **(2,628)** | **(11,814)** | **(100)** | **(449)** | **(4,119)** | **(19,110)** |
| **As at 31 December 2021** | **583,140** | **1,183,562** | **13,426** | **46,658** | **170,818** | **1,997,604** |
| **As at 31 December 2021** | | | | | | |
| Cost | **784,700** | **2,622,790** | **58,317** | **155,410** | **170,818** | **3,792,035** |
| Accumulated depreciation | **(201,560)** | **(1,439,228)** | **(44,891)** | **(108,752)** | **-** | **(1,794,431)** |
| Carrying values | **583,140** | **1,183,562** | **13,426** | **46,658** | **170,818** | **1,997,604** |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year ended 31 December 2021, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB225,081,000 (2020: RMB225,396,000), selling, general and administrative expenses with an amount of RMB25,455,000 (2020: RMB28,426,000), and cost of inventories which remained unsold as at year end with an amount of RMB19,678,000 (2020: RMB20,898,000), respectively.

As at 31 December 2021, long-term borrowings were secured by certain buildings with a carrying value of RMB84,203,000 (31 December 2020: RMB87,341,000) (Note 17(a)).

As at 31 December 2020, long-term borrowings were secured by certain equipment with a carrying value of RMB240,791,000 (Note 17(a)).

### The Group as lessor

The Group leases out a number of equipment under operating leases. The leases typically run for an initial period of 3 to 24 months. None of the leases includes variable lease payments. The disaggregation of the equipment under operating leases included within "machinery and equipment" and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

| | |
|---|---|
| **Year ended 31 December 2020** | |
| **As at 1 January 2020** | 130,498 |
| Additions | 3,961 |
| Disposals | (5,761) |
| Depreciation charge | (23,542) |
| **As at 31 December 2020** | 105,156 |
| **As at 31 December 2020** | |
| Cost | 206,549 |
| Accumulated depreciation | (101,393) |
| Carrying values | 105,156 |
| **Year ended 31 December 2021** | |
| **As at 1 January 2021** | **105,156** |
| Additions | **6,334** |
| Disposals | **(5,438)** |
| Depreciation charge | **(26,997)** |
| **As at 31 December 2021** | **79,055** |
| **As at 31 December 2021** | |
| Cost | **193,440** |
| Accumulated depreciation | **(114,385)** |
| Carrying values | **79,055** |

Furthermore, the Group leases certain drilling equipment from its suppliers and then leases to its customers. The Group accounts for the head lease and the sublease as two separate contracts. The sublease is classified as operating leases by reference to the right-of-use asset or expenses relating to short-term leases arising from the head lease, not with reference to the underlying asset.

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 7. RIGHT-OF-USE ASSETS

| | Leasehold lands | Equipment | Buildings | Total |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| **As at 1 January 2020** | 75,635 | 82,383 | 31,883 | 189,901 |
| Additions | – | – | 4,602 | 4,602 |
| Terminations of leases previously entered | – | (16,852) | – | (16,852) |
| Depreciation charge | (1,932) | (22,866) | (14,902) | (39,700) |
| Carrying values | | | | |
| As at 31 December 2020 | 73,703 | 42,665 | 21,583 | 137,951 |
| **Year ended 31 December 2021** | | | | |
| **As at 1 January 2021** | **73,703** | **42,665** | **21,583** | **137,951** |
| Additions | **–** | **292** | **2,320** | **2,612** |
| Depreciation charge | **(1,932)** | **(20,421)** | **(14,741)** | **(37,094)** |
| Carrying values | | | | |
| As at 31 December 2021 | **71,771** | **22,536** | **9,162** | **103,469** |

During the current and prior years, the Group entered into new lease agreements for the use of buildings and equipment for 1 to 4 years (2020: 2 to 5 years) with extension and termination options. The Group is required to make fixed quarterly, semi-annually or annually payments during the contract periods. On lease commencement, the Group recognised RMB2,612,000 (2020: RMB4,602,000) of right-of-use assets and RMB2,612,000 (2020: RMB4,602,000) lease liabilities. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except for the leasehold lands may not be used as security for borrowing purposes.

For termination options, the Group assesses at lease commencement date that it is reasonably certain not to exercise. For extension options in lease contracts of equipment, the Group assesses at lease commencement date that it is reasonably certain not to exercise since those equipment is used to certain service projects with a limited duration. For extension options in lease contracts of buildings, the Group assesses at lease commencement date that it is not reasonably certain to exercise and the Directors consider the potential future lease payments for lease contracts of buildings not included in lease liabilities are immaterial and hence, no further disclosure is made.

During the year ended 31 December 2021, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB34,945,000 (2020: RMB37,418,000) and cost of inventories which remained unsold as at year end with an amount of RMB2,149,000 (2020: RMB2,282,000), respectively.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 7. RIGHT-OF-USE ASSETS *(Continued)*

During the year ended 31 December 2021, the expense relating to short-term leases and leases of low-value assets amounts to RMB117,522,000 (2020: RMB123,933,000).

During the year ended 31 December 2021, the total cash outflow for leases amounts to RMB114,875,000 (2020: RMB199,131,000), consisting of RMB40,170,000 (2020 RMB43,535,000) paid for lease liabilities and RMB74,705,000 (2020: RMB155,596,000) paid for short-term leases and other leases with lease terms end within 12 months.

The Group has obtained the land use right certificates for all leasehold lands.

As at 31 December 2021, the outstanding lease commitment relating to short-term leases of certain equipment and buildings is RMB12,998,000 (2020: RMB25,306,000).

As at 31 December 2021, certain long-term borrowings were secured by right-of-use assets (leasehold lands) with a carrying value of RMB5,392,000 (31 December 2020: RMB5,548,000) (Note17(a)).

## 8. GOODWILL

| **As at 1 January 2020, 31 December 2020 and 2021** | |
|---|---|
| Cost | 268,329 |
| Accumulated impairment | (26,325) |
| Carrying value | 242,004 |

An operating segment-level summary of the goodwill allocation is presented below.

| **As at 31 December 2021 and 2020** | **Inspection services** | **Oilfield technical services** | **Total** |
|---|---|---|---|
| Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司, "Shandong Precede") | **-** | **132,486** | **132,486** |
| Beijing Haineng Haite Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, "Beijing Haineng Haite") | **-** | **106,886** | **106,886** |
| Anton Machinery and Meter Testing Co., Ltd. (安東儀器儀表檢測服務有限公司, "Anton Testing", formerly 四川誠量檢測服務有限公司) | **2,632** | **-** | **2,632** |
| | **2,632** | **239,372** | **242,004** |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 8. GOODWILL *(Continued)*

Goodwill is allocated to the CGUs of the Group identified according to their operations.

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using 2% growth rates after considering the inflation factor. Based on the assessments, no goodwill was further impaired as at 31 December 2021.

The key assumptions used for value-in-use calculations in 2021 of Shandong Precede and Beijing Haineng Haite are as follows:

| **As at 31 December 2021** | **Shandong Precede** | **Beijing Haineng Haite** |
|---|---|---|
| Gross margin | **15.95%** | **16.99%** |
| Discount rate | **13.88%** | **15.48%** |

| As at 31 December 2020 | Shandong Precede | Beijing Haineng Haite |
|---|---|---|
| Gross margin | 16.72% | 18.82% |
| Discount rate | 14.50% | 16.07% |

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax long-term weighted average costs of capital, which are based on the management's best estimation of the investment returns that market participants would require for the relevant assets.

Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed their recoverable amount as of 31 December 2021.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 9. INTANGIBLE ASSETS

| As at 31 December 2021 and 2020 | Patents | Computer software | Total |
|---|---|---|---|
| **As at 1 January 2020** | | | |
| Cost | 406,964 | 83,824 | 490,788 |
| Accumulated amortisation | (184,656) | (46,146) | (230,802) |
| Carrying value | 222,308 | 37,678 | 259,986 |
| **Year ended 31 December 2020** | | | |
| **As at 1 January 2020** | 222,308 | 37,678 | 259,986 |
| Additions | 44,698 | 121 | 44,819 |
| Amortisation charge | (26,229) | (4,924) | (31,153) |
| **As at 31 December 2020** | 240,777 | 32,875 | 273,652 |
| **As at 31 December 2020** | | | |
| Cost | 451,662 | 83,945 | 535,607 |
| Accumulated amortisation | (210,885) | (51,070) | (261,955) |
| Carrying value | 240,777 | 32,875 | 273,652 |
| **Year ended 31 December 2021** | | | |
| **As at 1 January 2021** | **240,777** | **32,875** | **273,652** |
| Additions | **52,099** | **3,812** | **55,911** |
| Amortisation charge | **(39,634)** | **(4,450)** | **(44,084)** |
| **As at 31 December 2021** | **253,242** | **32,237** | **285,479** |
| **As at 31 December 2021** | | | |
| Cost | **503,761** | **87,757** | **591,518** |
| Accumulated amortisation | **(250,519)** | **(55,520)** | **(306,039)** |
| Carrying value | **253,242** | **32,237** | **285,479** |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 10. INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Project materials, spare parts and other materials | **658,488** | 626,384 |
| Project-in-progress | **286,471** | 304,234 |
| | **944,959** | 930,618 |

Movements of provision for inventory obsolescence during the year are analysed as follows:

| | **2021** | 2020 |
|---|---|---|
| As at 1 January | **(103,203)** | (83,232) |
| Addition | **(24,287)** | (19,971) |
| As at 31 December | **(127,490)** | (103,203) |

## 11. TRADE AND NOTES RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Trade receivables, net (a) | | |
| – contracts with customers | **1,916,216** | 1,803,419 |
| – lease receivables | **42,934** | 49,287 |
| | **1,959,150** | 1,852,706 |
| Notes receivable (e) | **137,130** | 281,083 |
| | **2,096,280** | 2,133,789 |

Notes:

(a) Ageing analysis of carrying value of trade receivables at the reporting date was as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| 1 – 6 months | **981,349** | 921,222 |
| 6 months – 1 year | **374,286** | 396,445 |
| 1 – 2 years | **304,689** | 335,267 |
| 2 – 3 years | **149,209** | 199,772 |
| Over 3 years | **149,617** | – |
| | **1,959,150** | 1,852,706 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 11. TRADE AND NOTES RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Most of the Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB377,284,000 (31 December 2020: RMB369,932,000) which are past due but not considered as in default as at the reporting date because the management considered such long ageing items were receivables from customers with good cooperation and would be collected subsequently.

(c) Most of the trade receivables are with credit terms of one year or less. The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables.

As at 31 December 2021, trade receivables of RMB222,786,000 (31 December 2020: RMB754,199,000) were pledged as security for short-term borrowings of RMB212,288,000 (31 December 2020: RMB500,189,000) (Note 17(b)).

As at 31 December 2020, trade receivables from a customer amounting to RMB282,420,000 were pledged as security for long-term borrowings of RMB97,213,000 (Note 17(a)).

(d) Movements of impairment of trade receivables are as follows:

| | **2021** | 2020 |
|---|---|---|
| As at 1 January | **(268,490)** | (185,053) |
| Addition | **(45,891)** | (83,437) |
| As at 31 December | **(314,381)** | (268,490) |

Details of impairment assessment of trade receivables and notes receivable for the year ended 31 December 2021 and 2020 are set out in Note 34.2(b)(i) and Note 34.2(b)(iii) respectively.

(e) As at 31 December 2021, total notes received amounting to RMB137,130,000 (31 December 2020: RMB281,083,000) are held by the Group as settlement of corresponding trade receivables. Notes receivable was measured at fair value through other comprehensive income. All notes received by the Group are with a maturity period of less than one year.

(f) Trade and notes receivables were denominated in the following currencies:

| | **As at 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| RMB | **1,074,138** | 1,163,195 |
| United States dollar ("US$") | **999,924** | 954,609 |
| Others | **22,218** | 15,985 |
| | **2,096,280** | 2,133,789 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 12. PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| **Current** | | |
| Advances to suppliers | **215,524** | 236,422 |
| Deposits and other receivables | **539,786** | 346,388 |
| Value-added tax recoverable | **34,602** | 22,665 |
| | **789,912** | 605,475 |
| **Non-current** | | |
| Value-added tax recoverable | **19,907** | 40,358 |
| Advances to engineering equipment suppliers | **35,110** | 26,070 |
| | **55,017** | 66,428 |

Ageing analysis of the current portion of prepayments and other receivables at the reporting date was disclosed as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| 1 – 6 months | **493,271** | 337,259 |
| 6 months – 1 year | **137,090** | 107,453 |
| 1 – 2 years | **104,162** | 104,521 |
| 2 – 3 years | **52,292** | 53,009 |
| Over 3 years | **48,728** | 48,864 |
| | **835,543** | 651,106 |
| Less: allowance for impairment (a) | **(45,631)** | (45,631) |
| Prepayments and other receivables, net | **789,912** | 605,475 |

Note:

(a) Movements of allowance for impairment are as follows:

| | **2021** | 2020 |
|---|---|---|
| As at 31 December and 1 January | **(45,631)** | (45,631) |

Details of impairment assessment of other receivables for the year ended 31 December 2021 and 2020 are set out in Note 34.2(b)(ii).

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 13. CASH AND BANK

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Restricted bank deposits (a) | **414,892** | 454,169 |
| Cash and cash equivalents | | |
| – Cash on hand | **16,621** | 19,431 |
| – Deposits in bank | **1,156,565** | 859,654 |
| | **1,588,078** | 1,333,254 |

Notes:

(a) As at 31 December 2021, bank deposits amounting to RMB414,892,000 (31 December 2020: RMB454,169,000) were held as security for letter of guarantee and issuance of notes payable. The restricted bank deposits carried a fixed interest rate at 0.30% per annum as at 31 December 2021 (2020: 0.30% per annum).

(b) Cash and bank were denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| RMB | **864,312** | 892,050 |
| US$ | **687,822** | 411,981 |
| Hong Kong dollar ("HK$") | **2,873** | 2,875 |
| Others | **33,071** | 26,348 |
| | **1,588,078** | 1,333,254 |

(c) As at 31 December 2021, cash and cash equivalents were bank deposits mainly bearing market interest rate at 0.3% per annum (31 December 2020: 0.3% per annum).

(d) Details of impairment assessment of restricted bank deposits and deposits in bank for the year ended 31 December 2021 and 2020 are set out in Note 34.2(b)(iii).

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 14. SHARE CAPITAL AND SHARE OPTIONS

| | Number of shares issued and fully paid of HK$0.1 each (thousands) | Share capital HK$'000 | Share capital RMB'000 |
|---|---|---|---|
| Ordinary shares issued and fully paid: | | | |
| As at 31 December and 1 January 2020 | 3,006,563 | 300,656 | 276,273 |
| Exercise of share options (i) | 8 | 1 | 1 |
| As at 31 December 2021 | 3,006,571 | 300,657 | 276,274 |

Notes:

(i) Share options

During the year ended 31 December 2020, options to subscribe for 113,440,000 shares at the exercise price of HK$0.495 have been conditionally granted to key employees. 113,440,000 shares have a 3-year vesting period, 33.33% each exercisable per year, on the premises of achieving the performance conditions of the Group set out in the share option scheme. The options have an option period of 6 years.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price in HK$ per share | Number of share options (thousands) |
|---|---|---|
| **As at 1 January 2020** | | 346,187 |
| Granted (on 01 April 2020) | 0.495 | 113,440 |
| Forfeited | 0.834 | (18,202) |
| **As at 1 January 2021** | | 441,425 |
| Exercised | 0.740 | (8) |
| Forfeited | 0.868 | (12,164) |
| **As at 31 December 2021** | | 429,253 |

## 14. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

Notes: *(Continued)*

(i) Share options (Continued)

Share options outstanding (in thousands) at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price HK$ per share | Number of share options (thousands) As at 31 December 2021 |
|---|---|---|
| 23 February 2022 | 0.740 | 77,318 |
| 31 March 2022 | 0.800 | 6,300 |
| 1 December 2022 | 1.100 | 2,216 |
| 22 May 2023 | 0.810 | 88,892 |
| 2 April 2024 | 1.020 | 58,333 |
| 6 January 2025 | 0.790 | 82,754 |
| 31 March 2026 | 0.495 | 113,440 |
| | | 429,253 |

The exercise price of the granted options is equal to the highest of (i) the closing price of the shares of the Company in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the par value of the shares. Options are conditional on the employee completing one to three years' service (the vesting period) and have a contractual option term of six years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As of 31 December 2021, out of the 429,253,000 options (31 December 2020: 441,425,000 options), 326,041,000 options (31 December 2020: 249,301,000 options) were exercisable. Options exercised in 2021 resulted in 8,000 shares being issued at a weighted average price of HK$0.740 each. The related weighted average share price at the time of exercise was HK$0.820 per share in 2021.

The fair value of the options granted during the year ended 31 December 2020 was determined using the Binomial Option Pricing Model. The major assumptions used in the pricing model for options granted on 1 April 2020 were the exercise prices shown above and other parameters are shown below:

| Parameters | Options granted in 2020 |
|---|---|
| Share price as of the valuation date (HK$) | 0.495 |
| Expected dividend yield | – |
| Forfeiture rate | 0.30% |
| Exercise multiples | 3.33 |
| Maturity years | 6.0 |
| Risk free rate | 0.61% |
| Annualised volatility | 57.24% |

The weighted average fair value of options granted during 2020 determined using the Binomial valuation model was HK$0.251 per option. The volatility measured at the standard deviation of continuously compounded share returns is derived from historical volatility of the share price over the last 6 years.

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2021 for share options amounted to RMB7,229,000 (31 December 2020: RMB17,369,000), with a corresponding amount credited in capital reserve (Note 15).

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 14. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

Notes: *(Continued)*

(ii) Restricted share award scheme ("Scheme")

According to the Scheme approved on 30 December 2019 by the Directors, share of the Company will be awarded to the Group's certain directors and key employees as an incentive.

The total number of shares under the Scheme will not exceed 10% of the current total number of shares in issue, and the Scheme will be gradually implemented by purchasing shares on the secondary market. The Scheme will be valid and effective for a period of ten years from the approval date and all eligible participants are entitled to participate in the Scheme.

In 2020, the Company repurchased 95,226,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK$0.330 to HK$0.490. The aggregate consideration paid was RMB32,600,000.

In 2021, the Company repurchased 48,266,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK$0.414 to HK$0.550. The aggregate consideration paid was RMB19,438,000.

On 1 January 2021, 86,430,000 shares with the fair value of HK$0.435 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 5 months to 29 months. In 2021, 29,710,000 shares were vested and 2,367,000 shares were forfeited. As at 31 December 2021, there were 54,353,000 shares outstanding.

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2021 for the Scheme amounted to RMB20,646,000 (31 December 2020: Nil), with a corresponding amount credited in capital reserve (Note 15).

## 15. RESERVES

### (a) Translation reserve

| | **2021** | 2020 |
|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | |
| At 1 January | **(168,339)** | 100,712 |
| Currency translation differences | **(57,555)** | (269,051) |
| At 31 December | **(225,894)** | (168,339) |

Currency translation differences relating to the translation of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the translation reserve which is shown in other reserves. Currency translation differences accumulated in the translation reserve are reclassified to profit or loss on the disposal/partial disposal of the foreign operations.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 15. RESERVES *(Continued)*

### (b) Hedging reserve

| | **2021** | 2020 |
|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | |
| At 1 January | **(37,052)** | (148,664) |
| Net investment hedge | **36,633** | 111,612 |
| At 31 December | **(419)** | (37,052) |

The net investment hedging reserve represents the cumulative effective portion of gains and losses arising on changes in exchange rate of hedging instruments entered into for net investment hedge. The cumulative gain and loss arising on changes in exchange rate of the hedging instrument that are recognised and accumulated under the heading of net investment hedging reserve which is further shown in other reserves will be reclassified to profit or loss on the disposal/partial disposal of the foreign operations.

During the year ended 31 December 2021, a proportion of the Group's US$ denominated long-term bonds amounting to US$248,198,000 (2020: US$243,291,000) has been designated as hedging instrument for the US$ denominated net investment in the Group's overseas subsidiaries. For the year ended 31 December 2021, foreign exchange translation gain of RMB36,633,000 (2020: gain of RMB111,612,000) on the hedging instrument was recognised as other comprehensive income as a credit in other reserves.

### (c) Statutory reserve

Subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When the balance of such reserve fund reaches 50% of each entity's paid capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or increase capital after approval. However, except for offsetting prior years' losses, the statutory reserve fund must be maintained at a minimum of 25% of paid capital after such usage.

### (d) Capital reserve

Capital reserve represents share-based payments reserve and capital injection before listing by shareholders. As at 31 December 2021, included in the balance of capital reserve, there is RMB243,800,000 (31 December 2020: RMB226,098,000) share-based payments reserve and RMB235,462,000 (31 December 2020: RMB235,462,000) capital injection before listing by shareholders.

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 16. LONG-TERM BONDS

| Issue date | Par value | Coupon rate | As at 31 December 2021 | As at 31 December 2020 | Effective interest rate |
|---|---|---|---|---|---|
| 2 December 2019 (a) | US$177.5 million | 7.50% | **1,128,114** | 1,866,659 | 8.91% |
| 26 July 2021 (b) | US$61.9 million | 8.75% | **401,440** | – | 8.91% |
| 26 July 2021 (b) | US$88.1 million | 8.75% | **564,574** | – | 10.25% |
| Subtotal | | | **2,094,128** | 1,866,659 | |
| Less: Current portion | | | **(1,164,144)** | (11,034) | |
| | | | **929,984** | 1,855,625 | |

Notes:

(a) The Company issued US$300 million senior notes with the coupon rate of 7.50% at discount of par value on 2 December 2019 with direct transaction costs amounting to RMB45,359,000, in which US$10.1 million and US$50.9 million were repurchased during the year ended 31 December 2020 and 2021 respectively. Furthermore, senior notes amounting to US$61.5 million was exchanged during the year ended 31 December 2021 which was disclosed in (b) below. The notes mature in 3 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 31 December 2021, interest payable amounted to approximately RMB6.6 million (31 December 2020: RMB11.0 million).

(b) The Company issued US$150 million senior notes with the coupon rate of 8.75% at discount of par value on 26 July 2021 with direct transaction costs amounting to RMB17,949,000, in which US$61.9 million were arranged to exchange the senior notes issued on 2 December 2019 in the amount of US$61.5 million during the year ended 31 December 2021. The exchange was accounted as a non-substantial modification of financial liabilities. The notes mature in 3.5 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 31 December 2021, interest payable amounted to approximately RMB36.0 million (31 December 2020: Nil).

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 17. BORROWINGS

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2021 Amount** | **2021 Interest Rate** | 2020 Amount | 2020 Interest Rate |
| **Long-term borrowings** | | | | |
| – Secured or guaranteed | | | | |
| – RMB denominated (a) | **131,347** | **4.25%-6.90%** | 295,027 | 4.25%-9.70% |
| Less: Current portion | **(83,195)** | | (163,639) | |
| | **48,152** | | 131,388 | |
| **Short-term bank borrowings** | | | | |
| – Unsecured and unguaranteed | | | | |
| – RMB denominated | **100,196** | **4.83%-5.10%** | – | |
| – Secured or guaranteed | | | | |
| – RMB denominated (b) | **617,929** | **4.35%-6.00%** | 631,628 | 3.50%-6.00% |
| – USD denominated (b) | **-** | | 82,035 | 3.02% |
| **Other short-term borrowings** | | | | |
| – Unsecured and unguaranteed | | | | |
| – RMB denominated (c) | **-** | | 50,290 | 5.65% |
| | **718,125** | | 763,953 | |

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| The carrying amounts of the above borrowings are repayable: | | |
| – Within one year | **801,320** | 927,592 |
| – More than one year but not exceeding two years | **48,152** | 131,388 |
| | **849,472** | 1,058,980 |
| Less: Amount due for settlement within one year and shown under current liabilities | **(801,320)** | (927,592) |
| Amount due after one year | **48,152** | 131,388 |

The exposure of the Group's borrowings are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Fixed-rate borrowings | **814,378** | 957,293 |
| Variable-rate borrowings | **35,094** | 101,687 |
| | **849,472** | 1,058,980 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 17. BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Effective interest rate: | | |
| Fixed-rate borrowings | **4.35%-6.90%** | 3.02%-6.90% |
| Variable-rate borrowings | **4.25%** | 4.25%-9.70% |

Notes:

(a) As at 31 December 2021, secured long-term bank borrowings of RMB96,253,000 (31 December 2020: RMB96,184,000) were secured by the Group's buildings with a carrying value of RMB84,203,000 (31 December 2020: RMB87,341,000) (Note 6) and right-of-use assets (leasehold lands) with a carrying value of RMB5,392,000 (31 December 2020:RMB5,548,000) respectively (Note 7).

As at 31 December 2021, long-term bank borrowings of RMB35,094,000 (31 December 2020: RMB45,205,000) were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

As at 31 December 2020, secured long-term bank borrowings of RMB97,213,000 were secured by the Group's trade receivables amounting to RMB282,420,000 (Note 11(c)).

As at 31 December 2020, secured long-term borrowings of RMB56,425,000 represented borrowings from China Railway Construction Financial Leasing Co., Ltd., a third party, which matured in July 2021, and secured by the Group's equipment with a carrying value of RMB240,791,000 (Note 6).

(b) As at 31 December 2021, secured short-term bank borrowings of RMB212,288,000 (31 December 2020: RMB500,189,000) were secured by the Group's trade receivables amounting to RMB222,786,000 (31 December 2020: RMB754,199,000) (Note 11(c)). Short-term bank borrowings of RMB405,641,000 (31 December 2020: RMB131,439,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 35(b)).

As at 31 December 2020, US$ denominated short-term bank borrowings of RMB82,035,000 were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 35(b)).

(c) As at 31 December 2020, other short-term borrowings represented a loan borrowed by Anton Oilfield Services (Group) Ltd. from Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

(d) As at 31 December 2021, the undrawn bank borrowing facilities of the Group of approximately RMB803 million (31 December 2020: RMB930 million), with maturity dates up to 26 September 2023 (31 December 2020: 8 July 2022), were unsecured (31 December 2020: unsecured).

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 18. LEASE LIABILITIES

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Lease liabilities payable: | | |
| Within one year | **24,426** | 34,384 |
| One to two years | **4,222** | 21,858 |
| Two to five years | **4,014** | 9,913 |
| | **32,662** | 66,155 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(24,426)** | (34,384) |
| Amount due for settlement after 12 months shown under non-current liabilities | **8,236** | 31,771 |

## 19. TRADE AND NOTES PAYABLES

| | As at 31 December 2021 | 2020 |
|---|---|---|
| Trade payables | **591,566** | 590,670 |
| Notes payable | **933,901** | 812,625 |
| | **1,525,467** | 1,403,295 |

Ageing analysis of trade and notes payables at the reporting date was as follows:

| | As at 31 December 2021 | 2020 |
|---|---|---|
| Less than 1 year | **1,360,747** | 1,195,605 |
| 1 – 2 years | **61,602** | 98,618 |
| 2 – 3 years | **54,011** | 50,903 |
| Over 3 years | **49,107** | 58,169 |
| | **1,525,467** | 1,403,295 |

Trade and notes payables were denominated in the following currencies:

| | As at 31 December 2021 | 2020 |
|---|---|---|
| RMB | **1,432,588** | 1,285,721 |
| US$ | **73,490** | 103,241 |
| Others | **19,389** | 14,333 |
| | **1,525,467** | 1,403,295 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 20. ACCRUALS AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Payroll and welfare payables | **40,902** | 43,256 |
| Taxes other than income taxes payable | **23,057** | 12,506 |
| Payables to equipment venders | **298,909** | 273,437 |
| Others | **236,290** | 205,382 |
| | **599,158** | 534,581 |

## 21. DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred income tax balances for financial reporting purposes:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Deferred income tax assets | **19,140** | 21,993 |
| Deferred income tax liabilities | **9,748** | 9,998 |
| | **9,392** | 11,995 |

Deferred tax assets:

| | **Taxable losses** | **Impairment provision of receivables and inventories** | **Total** |
|---|---|---|---|
| **As at 1 January 2020** | 19,155 | 15,482 | 34,637 |
| Debited to the consolidated statement of profit or loss | (12,143) | (501) | (12,644) |
| **As at 31 December 2020** | 7,012 | 14,981 | 21,993 |
| (Debited)/credited to the consolidated statement of profit or loss | (5,151) | 2,298 | (2,853) |
| **As at 31 December 2021** | 1,861 | 17,279 | 19,140 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 21. DEFERRED INCOME TAX *(Continued)*

As at 31 December 2021, the Group did not recognise deferred income tax assets of RMB148,124,000 (31 December 2020: RMB122,816,000) in respect of accumulated tax losses and temporary difference amounting to RMB550,216,000 (31 December 2020: RMB425,821,000) that can be carried forward against taxable income as the Group is going to dissolve the subsidiaries or the losses are considered as unrecoverable in 5 years. As at 31 December 2021 and 2020, unrecognised tax losses amounting to RMB281,893,000 will expire in 2022 and 2025.

## 22. REVENUE

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Sales of goods | **86,750** | 21,190 |
| Provision of services | **2,671,791** | 2,802,448 |
| | **2,758,541** | 2,823,638 |
| Rental | **165,025** | 264,014 |
| | **2,923,566** | 3,087,652 |

### (i) Disaggregation of revenue

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| | **Oilfield technical services** | **Oilfield management services** | **Drilling rig services** | **Inspection services** |
| **Types of goods or service** | | | | |
| Sales of goods | **82,840** | **-** | **3,910** | **-** |
| Provision of services | **1,089,650** | **918,867** | **389,679** | **273,595** |
| **Total** | **1,172,490** | **918,867** | **393,589** | **273,595** |
| **Geographical markets** | | | | |
| PRC | **708,901** | **7,729** | **332,001** | **256,330** |
| Iraq | **288,100** | **698,419** | **41,071** | **10,410** |
| Other countries | **175,489** | **212,719** | **20,517** | **6,855** |
| **Total** | **1,172,490** | **918,867** | **393,589** | **273,595** |
| **Timing of revenue recognition** | | | | |
| A point in time | **1,172,490** | **-** | **393,589** | **273,595** |
| Over time | **-** | **918,867** | **-** | **-** |
| **Total** | **1,172,490** | **918,867** | **393,589** | **273,595** |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 22. REVENUE *(Continued)*

### (i) Disaggregation of revenue *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| | **Oilfield technical services** | **Oilfield management services** | **Drilling rig services** | **Inspection services** |
| **Revenue disclosed in segment information** | | | | |
| External customers (Note 5) | **1,337,515** | **918,867** | **393,589** | **273,595** |
| Rental income | **(165,025)** | **–** | **–** | **–** |
| **Revenue from contracts with customers** | **1,172,490** | **918,867** | **393,589** | **273,595** |

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | Oilfield technical services | Oilfield management services | Drilling rig services | Inspection services |
| **Types of goods or service** | | | | |
| Sales of goods | 20,780 | – | 410 | – |
| Provision of services | 1,066,301 | 824,171 | 725,055 | 186,921 |
| **Total** | 1,087,081 | 824,171 | 725,465 | 186,921 |
| **Geographical markets** | | | | |
| PRC | 776,793 | 9,325 | 604,078 | 178,627 |
| Iraq | 210,753 | 643,303 | 99,649 | 7,374 |
| Other countries | 99,535 | 171,543 | 21,738 | 920 |
| **Total** | 1,087,081 | 824,171 | 725,465 | 186,921 |
| **Timing of revenue recognition** | | | | |
| A point in time | 1,087,081 | – | 725,465 | 186,921 |
| Over time | – | 824,171 | – | – |
| **Total** | 1,087,081 | 824,171 | 725,465 | 186,921 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 22. REVENUE *(Continued)*

### (i) Disaggregation of revenue *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | Oilfield technical services | Oilfield management services | Drilling rig services | Inspection services |
| **Revenue disclosed in segment information** | | | | |
| External customers (Note 5) | 1,351,095 | 824,171 | 725,465 | 186,921 |
| Rental income | (264,014) | – | – | – |
| **Revenue from contracts with customers** | 1,087,081 | 824,171 | 725,465 | 186,921 |

### (ii) Performance obligations for contracts with customers

#### a. Provision of oilfield technical services, drilling rig services, and inspection services

The Group provides oilfield technical services, drilling rig services, and inspection services to customers like large multinational and state-owned oil companies.

Such services are each recognised as a performance obligation in different stages of a contract, with transaction price allocated to the different and separate performance obligations on a relative stand-alone price basis. Revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer. Since the services are expected to meet certain specified technological criteria which are not simply based on size and weight characteristics, the Group cannot objectively determine that the services provided to the customer are in accordance with the agreed-upon specifications in the contract and then the Group would not be able to conclude that the customer has obtained control until it receives the customer's acceptance. Therefore, the revenue from oilfield technical services, drilling rig services, and inspection services is recognised at a point when the customer acceptance is concluded.

The Group's contracts for such services include the Group's entitlement to payment which requires customer acceptance.

## 22. REVENUE *(Continued)*

### (ii) Performance obligations for contracts with customers *(Continued)*

#### a. Provision of oilfield technical services, drilling rig services, and inspection services *(Continued)*

The contract assets (retention money receivables from large multinational and state-owned oil companies), net of contract liabilities related to the same contract, primarily relate to the Group's right to consideration for services completed and not billed because the rights are conditioned on the Group's achieving specified milestones as stipulated in the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically agrees to a one-year retention period for 5% of the transaction price for certain customers like some large multinational and state-owned oil companies. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on achieving specified milestones as stipulated in the contracts. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. The Group typically bills the retention money receivables in one year after the completion of relevant services when trade receivables will be recognised.

#### b. Provision of oilfield management services

The Group provides oilfield management services which include oilfield-related operation and maintenance services to customers.

Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits during the course of operation and maintenance services provided by the Group based on the fact that these services are routine with no complicated processes involved and customer acceptance is a formality. Revenue from these services is recognised based on hours and unit labour cost using output method.

Payment of the transaction price will be settled monthly over the period of service.

#### c. Sales of oilfield-related goods

The Group sells oilfield-related goods, such as drilling tools, tubing and casing to customers.

Since the goods are not self-manufactured and the Group is not entitled to payment until the customer receives and accepts the goods, revenue is recognised at a point when control over the corresponding goods is transferred to the customer.

The Group's contracts for such sales of goods include payment in the normal credit term granted to customers.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 22. REVENUE *(Continued)*

### (iii) 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 2021 and the expected timing of recognising revenue are as follows:

| | PRC | Iraq | Other countries |
|---|---|---|---|
| Within one year | **1,807,752** | **1,108,150** | **172,238** |
| More than one year but not more than two years | **533,622** | **765,433** | **284,536** |
| More than two years | **–** | **376,724** | **29,003** |
| | **2,341,374** | **2,250,307** | **485,777** |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

| | PRC | Iraq | Other countries |
|---|---|---|---|
| Within one year | 2,138,123 | 1,152,292 | 183,416 |
| More than one year but not more than two years | 543,576 | 769,502 | 272,616 |
| More than two years | – | 379,207 | 30,477 |
| | 2,681,699 | 2,301,001 | 486,509 |

### (iv) Leases

| | **Year ended 31 December 2021** | Year ended 31 December 2020 |
|---|---|---|
| For operating leases: | | |
| Lease payments that are fixed | **165,025** | 264,014 |
| Total revenue arising from leases | **165,025** | 264,014 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 23. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Materials and services purchased | **868,561** | 1,020,668 |
| Staff costs | **714,557** | 738,742 |
| In which: | | |
| – Salaries and other staff expenses | **686,682** | 721,373 |
| – Share-based compensation (Note 14) | **27,875** | 17,369 |
| Depreciation | **330,488** | 336,274 |
| In which: | | |
| – Property, plant and equipment (Note 6) | **291,112** | 294,422 |
| – Right-of-use assets (Note 7) | **39,376** | 41,852 |
| Less: Capitalised in inventories (Note 6) (Note 7) | **(21,827)** | (23,180) |
| | **308,661** | 313,094 |
| Amortisation | **47,894** | 34,744 |
| Less: Capitalised in inventories | **(3,587)** | (3,810) |
| | **44,307** | 30,934 |
| In which: | | |
| – Cost of sales | **37,535** | 26,370 |
| – Administrative expenses | **390** | 189 |
| – Selling expenses | **17** | 19 |
| – Research and development expenses | **6,365** | 4,356 |
| Auditor's remuneration | | |
| – Audit and related services | **4,800** | 4,700 |
| – Other services | **300** | 300 |
| Other operating expenses | **520,270** | 600,165 |
| In which: | | |
| – Impairment of inventories | **24,287** | 19,971 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 24. OTHER GAINS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Government grants and subsidies (a) | **5,147** | 6,057 |
| Gains/(loss) on disposal of property, plant and equipment | **219** | (2,931) |
| (Loss)/gains on repurchase of long-term bonds (Note 16) (Note 31) | **(10,232)** | 33,375 |
| Loss on non-substantial modification of long-term bonds (Note 16) (Note 31) | **(6,965)** | – |
| Value added tax preferences | **37,030** | 6,821 |
| Others | **(280)** | (3,043) |
| | **24,919** | 40,279 |

Note:

(a) Government grants and subsidies of RMB5,147,000 (2020: RMB6,057,000) were received in the current year towards awarding of research and development expenditures.

## 25. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Impairment losses recognised on: | | |
| – Trade receivables – goods and services | **45,891** | 83,437 |

Details of impairment assessment for the year ended 31 December 2021 and 2020 are set out in Note 34.2(b).

## 26. FINANCE COSTS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Interest expenses | | |
| – on bank borrowings | **(54,328)** | (56,932) |
| – on bonds | **(177,846)** | (300,126) |
| – on lease liabilities | **(4,065)** | (6,847) |
| Exchange gain, net | **3,573** | 85,270 |
| Others | **(25,709)** | (34,058) |
| Finance expenses | **(258,375)** | (312,693) |
| Interest income | **6,205** | 18,760 |
| | **(252,170)** | (293,933) |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 27. STAFF COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Wages, salaries and allowances | **598,704** | 630,604 |
| Housing subsidies (a) | **12,636** | 13,036 |
| Contributions to pension plans (b) | **23,072** | 24,207 |
| Share option costs | | |
| – equity settled share-based payment (Note 14) | **27,875** | 17,369 |
| Welfare and other expenses | **52,270** | 53,526 |
| | **714,557** | 738,742 |

Notes:

(a) Housing subsidies mainly include the Group's contributions to government-sponsored housing funds, at rates ranging from 5% to 12% of the employees' salaries for the Group's Chinese employees in the PRC.

(b) This represents the Group's contributions to defined contribution plans or schemes organised by relevant government authorities or authorised entities in accordance with the requirements in the locations where the Group operates.

During the years ended 31 December 2021 and 2020, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2021 and 2020 under the schemes which may be used by the Group to reduce the contribution payable in future years.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2020: three) Directors whose emoluments are reflected in the analysis shown in Note 38. The emolument payable to the other two (2020: two) individuals during the year were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | **3,680** | 2,871 |
| Contributions to pension schemes | **105** | 96 |
| | **3,785** | 2,967 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2021** | 2020 |
| Emoluments bands | | |
| HK$1,500,001 – HK$2,000,000 | **–** | 2 |
| HK$2,000,001 – HK$2,500,000 | **2** | – |
| | **2** | 2 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 27. STAFF COSTS *(Continued)*

Notes: *(Continued)*

(d) During the years ended 31 December 2021 and 2020, no Directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 28. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Current income tax | | |
| – PRC enterprise income tax | **23,860** | 28,394 |
| – Iraq corporate income tax | **67,638** | 67,275 |
| – Others | **6,633** | 6,407 |
| Deferred income tax | **2,603** | 12,423 |
| | **100,734** | 114,499 |

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax ("EIT") is provided on the basis of estimated taxable profits of PRC established subsidiaries at applicable tax rate of 25% in 2021 (2020: 25%), based on the relevant PRC tax laws and regulations. Certain subsidiaries have been granted a preferential rate of 15% as high technology enterprises or as enterprises set up in western area of the PRC.

The corporate income tax of Iraq entities is levied at the higher of 7% on the total turnover, or 35% on the net taxable profit.

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 28. INCOME TAX EXPENSE *(Continued)*

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Profit before income tax | **176,084** | 30,739 |
| Tax calculated at applicable tax rates | **70,345** | 83,654 |
| Income not subject to taxation | **(724)** | (7,357) |
| Expenses not deductible for taxation purposes | **2,555** | 861 |
| Additional deduction of research and development expense | **(5,615)** | (5,030) |
| Tax losses and deductible temporary difference for which no deferred income tax was recognised | **31,198** | 33,968 |
| Utilisation of unused deductible tax losses previously not recognised as deferred income tax | **(5,890)** | (8,515) |
| Reversal of the deferred tax assets from prior years | **6,600** | 14,387 |
| Effect of share of loss/(profit) of a joint venture | **186** | (21) |
| Effect of share of profit of associates | **(3)** | – |
| Others | **2,082** | 2,552 |
| | **100,734** | 114,499 |

## 29. EARNINGS/(LOSS) PER SHARE

### (a) Basic

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

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Profit/(loss) attributable to the owners of the Company | **72,218** | (95,844) |
| Weighted average number of ordinary shares in issue (thousands of shares) (Note) | **2,902,002** | 2,977,620 |
| Basic earnings/(loss) per share (expressed in RMB per share) | **0.0249** | (0.0322) |

Note:

The effect of restricted share award scheme has been included in the calculation of weighted average number of ordinary shares in issue.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 29. EARNINGS/(LOSS) PER SHARE *(Continued)*

### (b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings/loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both year ended 2021 and 2020.

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Profit/(loss)attributable to the owners of the Company | **72,218** | (95,844) |
| Weighted average number of ordinary shares in issue (thousands of shares) | **2,902,002** | 2,977,620 |
| Adjustments for the effect of restricted share award scheme (thousands of shares) | **36,475** | – |
| Weighted average number of ordinary shares for computation of diluted earnings/(loss) per share (thousands of shares) | **2,938,477** | 2,977,620 |
| Diluted earnings/(loss) per share (expressed in RMB per share) | **0.0246** | (0.0322) |

## 30. DIVIDENDS

No dividend was declared or paid for ordinary shareholders of the Company during 2021 (2020: Nil).

The Directors have determined that no dividend will be proposed in respect of the current year (Year ended 31 December 2020: Nil).

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of profit for the year to net cash inflows generated from operations:

| | Note | Year ended 31 December 2021 | 2020 |
|---|---|---|---|
| Profit/(loss) for the year | | **75,350** | (83,760) |
| Adjustments for: | | | |
| Property, plant and equipment | | | |
| – Depreciation charge | | **271,434** | 273,524 |
| – (Gains)/loss on disposals | | **(219)** | 2,931 |
| Loss/(gains) on repurchase of long-term bonds | 24 | **10,232** | (33,375) |
| Loss on non-substantial modification of long-term bonds | 24 | **6,965** | – |
| Depreciation of right-of-use assets | | **37,227** | 39,570 |
| Amortisation of intangible assets | | **44,307** | 30,934 |
| Addition of impairment of receivables | | **45,891** | 83,437 |
| Addition of impairment of inventories | | **24,287** | 19,971 |
| Charge of share option scheme and restricted share award scheme | | **27,875** | 17,369 |
| Share of loss/(profit) of a joint venture | | **1,243** | (141) |
| Share of profit of associates | | **(18)** | – |
| Net foreign exchange gain | | **(3,573)** | (85,270) |
| Interest income | | **(6,205)** | (18,760) |
| Interest expenses | | **236,239** | 363,905 |
| Income tax expense | | **100,734** | 114,499 |
| Operating cash flows before movements in working capital | | **871,769** | 724,834 |
| Changes in working capital: | | | |
| – Inventories | | **(40,204)** | (183,548) |
| – Trade and notes receivables | | **(40,657)** | (217,650) |
| – Contract assets | | **9,919** | 44,901 |
| – Prepayments and other receivables and value-added tax recoverable | | **(177,486)** | 45,766 |
| – Trade and notes payables | | **114,611** | 440,063 |
| – Accruals and other payables | | **39,105** | 76,969 |
| – Contract liabilities | | **(4,582)** | 24,006 |
| – Restricted bank deposits | | **39,277** | (95,699) |
| Net cash inflows from operations | | **811,752** | 859,642 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 32. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Borrowings Note 17** | **Long-term bonds Note 16** | **Prepayments and other receivables** | **Restricted bank deposits** | **Lease liabilities Note 18** | **Total** |
|---|---|---|---|---|---|---|
| As at 1 January 2021 | **1,058,980** | **1,866,659** | **(13,500)** | **-** | **66,155** | **2,978,294** |
| Financing cash flows | **(263,836)** | **77,826** | **13,500** | **-** | **(40,170)** | **(212,680)** |
| New leases entered (Note 7) | **-** | **-** | **-** | **-** | **2,612** | **2,612** |
| Currency translation differences | **-** | **(45,400)** | **-** | **-** | **-** | **(45,400)** |
| Interest expenses | **54,328** | **177,846** | **-** | **-** | **4,065** | **236,239** |
| Loss on repurchase of long-term bonds (Note 24) (Note 31) | **-** | **10,232** | **-** | **-** | **-** | **10,232** |
| Loss on non-substantial modification of long-term bonds (Note 24) (Note 31) | **-** | **6,965** | **-** | **-** | **-** | **6,965** |
| As at 31 December 2021 | **849,472** | **2,094,128** | **-** | **-** | **32,662** | **2,976,262** |

| | Borrowings Note 17 | Long-term bonds Note 16 | Prepayments and other receivables | Restricted bank deposits | Lease liabilities Note 18 | Total |
|---|---|---|---|---|---|---|
| As at 1 January 2020 | 792,349 | 4,144,868 | (13,500) | (10,260) | 115,093 | 5,028,550 |
| Financing cash flows | 209,699 | (2,373,168) | – | 10,260 | (43,535) | (2,196,744) |
| New leases entered (Note 7) | – | – | – | – | 4,602 | 4,602 |
| Terminations of leases previously entered (Note 7) | – | – | – | – | (16,852) | (16,852) |
| Currency translation differences | – | (171,792) | – | – | – | (171,792) |
| Interest expenses | 56,932 | 300,126 | – | – | 6,847 | 363,905 |
| Gains on repurchase of long-term bonds (Note 24) (Note 31) | – | (33,375) | – | – | – | (33,375) |
| As at 31 December 2020 | 1,058,980 | 1,866,659 | (13,500) | – | 66,155 | 2,978,294 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 32. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

### Major non-cash transactions

In 2021, the Group issued new long-term bonds to exchange certain long-term bonds issued in prior year (Note 16(b)) and such non-cash transaction has been excluded from the financing activities of the consolidated statement of cash flows.

## 33. COMMITMENTS

### Capital commitments

Capital commitments related to investments in property, plant and equipment at the reporting date but not yet provided for in the consolidated statement of financial position were as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Contracted but not provided for | **71,710** | 79,586 |

## 34. FINANCIAL RISK MANAGEMENT

### 34.1 Categories of financial instruments

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Financial assets | | |
| Amortised cost | | |
| – Cash and cash equivalents | **1,173,186** | 879,085 |
| – Restricted bank deposits | **414,892** | 454,169 |
| – Included in trade and notes receivables | **1,916,216** | 1,803,419 |
| – Included in prepayments and other receivables | **498,295** | 309,974 |
| Fair value through other comprehensive income | | |
| – Notes receivable | **137,130** | 281,083 |
| | **4,139,719** | 3,727,730 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 34. FINANCIAL RISK MANAGEMENT *(Continued)*

### 34.1 Categories of financial instruments *(Continued)*

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Financial liabilities | | |
| Amortised cost | | |
| – Trade and notes payables | **1,525,467** | 1,403,295 |
| – Included in accruals and other payables | **572,565** | 515,543 |
| – Borrowings | **849,472** | 1,058,980 |
| – Long-term bonds | **2,094,128** | 1,866,659 |
| | **5,041,632** | 4,844,477 |

### 34.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses non-derivative financial instruments (part of US$ denominated long-term bonds) (Note 15(b)) to hedge certain foreign currency risk exposure.

#### (a) Market risk

**(i) Foreign exchange risk**

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has purchases from and sales to overseas parties. During the year ended 31 December 2021, the Group developed its businesses overseas with most of the transactions denominated and settled in US$. Foreign exchange risk also arise from certain bank deposits, borrowings and long-term bonds denominated in US$. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

As at 31 December 2021, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit after income tax (2020: loss after income tax) for the year would have been RMB8,637,000 higher/lower (2020: RMB4,786,000 lower/higher) and equity reserves would have been RMB102,113,000 lower/higher (2020: RMB57,716,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$-denominated cash and bank, trade and other receivables, trade and other payables, long-term bonds and net investment hedge of foreign operations.

# 34. FINANCIAL RISK MANAGEMENT *(Continued)*

## 34.2 Financial risk factors *(Continued)*

### (a) Market risk *(Continued)*

**(ii) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises from long-term bonds, long-term borrowings and short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Long-term bonds, long-term borrowings and lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk.

Based on the balance of floating interest borrowings as at 31 December 2021, if interest rates on these borrowings for the year had been higher/lower by 100 basis points, profit before income tax for the year would have been RMB351,000 (2020: RMB1,017,000) lower/higher.

### (b) Credit risk and impairment assessment

As at 31 December 2021, the maximum exposure to credit risk of the Group is the carrying value of financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

**Trade receivables, contract assets and other receivables**

The Group has policies in place to ensure that sales of products and services and other transactions are made to customers or counterparties with an appropriate credit history after internal approvals and follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables, contract assets and other receivables individually or based on provision matrix. In the regards, the Directors consider that the Group's credit risk is significantly reduced and are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

A considerable portion of sales were made to several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 5).

**Notes receivable, restricted bank deposits and deposits in bank**

The credit risks on notes receivable, restricted bank deposits and deposits in bank are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group performs impairment assessment under 12m ECL model on notes receivable, restricted bank deposits and deposits in bank. The Directors does not expect any losses from non-performance by these counterparties.

Most of the Group's restricted bank deposits and deposits in bank were placed with state-owned banks in the PRC and Hong Kong, the relevant credit risk is relatively low.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 34. FINANCIAL RISK MANAGEMENT *(Continued)*

### 34.2 Financial risk factors *(Continued)*

#### (b) Credit risk and impairment assessment *(Continued)*

**Notes receivable, restricted bank deposits and deposits in bank** *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets (including trade receivables from goods and services, notes receivable, other receivables, restricted bank deposits and deposits in bank), and other items (lease receivables and contract assets) which are subject to ECL assessment:

| 2021 | Notes | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount |
|---|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | | |
| Trade receivables – goods and services | 11 | N/A | Note (i) | Lifetime ECL (provision matrix) | **474,320** |
| | | | | Lifetime ECL (individually, not credit-impaired) | **1,281,357** |
| | | | | Lifetime ECL (individually, credit-impaired) | **474,920** |
| Other receivables | 12 | N/A | Note (ii) | 12m ECL | **498,295** |
| | | | | Lifetime ECL (credit-impaired) | **45,631** |
| Restricted bank deposits | 13 | A1 | Note (iii) | 12m ECL | **414,892** |
| Deposits in bank | 13 | A1 | Note (iii) | 12m ECL | **1,156,565** |
| **Financial assets at FVTOCI** | | | | | |
| Notes receivable | 11 | A1 | Note (iii) | 12m ECL | **137,130** |
| **Other items** | | | | | |
| Contract assets – goods and services | 22(ii)(a) | N/A | Note (i) | Lifetime ECL (individually, not credit-impaired) | **20,699** |
| Lease receivables – operating leases | 11 | N/A | Note (i) | Lifetime ECL (individually, not credit-impaired) | **42,934** |

(Amounts expressed in thousands of RMB, unless otherwise stated)



# 34. FINANCIAL RISK MANAGEMENT *(Continued)*

## 34.2 Financial risk factors *(Continued)*

### (b) Credit risk and impairment assessment *(Continued)*

**Notes receivable, restricted bank deposits and deposits in bank** *(Continued)*

| 2020 | Notes | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount |
|---|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | | |
| Trade receivables – goods and services | 11 | N/A | Note (i) | Lifetime ECL (provision matrix) | 610,166 |
| | | | | Lifetime ECL (individually, not credit-impaired) | 1,135,898 |
| | | | | Lifetime ECL (individually, credit-impaired) | 325,845 |
| Other receivables | 12 | N/A | Note (ii) | 12m ECL | 309,974 |
| | | | | Lifetime ECL (credit-impaired) | 45,631 |
| Restricted bank deposits | 13 | A1 | Note (iii) | 12m ECL | 454,169 |
| Deposits in bank | 13 | A1 | Note (iii) | 12m ECL | 859,654 |
| **Financial assets at FVTOCI** | | | | | |
| Notes receivable | 11 | A1 | Note (iii) | 12m ECL | 281,083 |
| **Other items** | | | | | |
| Contract assets – goods and services | 22(ii)(a) | N/A | Note (i) | Lifetime ECL (individually, not credit-impaired) | 30,618 |
| Lease receivables – operating leases | 11 | N/A | Note (i) | Lifetime ECL (individually, not credit-impaired) | 49,287 |

Notes:

(i) Trade receivables and contract assets from goods and services and lease receivables

For trade receivables and contract assets from goods and services and lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

(Amounts expressed in thousands of RMB, unless otherwise stated)

# 34. FINANCIAL RISK MANAGEMENT *(Continued)*

## 34.2 Financial risk factors *(Continued)*

### (b) Credit risk and impairment assessment *(Continued)*

**Notes receivable, restricted bank deposits and deposits in bank** *(Continued)*

Notes: *(Continued)*

(i) Trade receivables and contract assets from goods and services and lease receivables *(Continued)*

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for part of its customers in relation to its oilfield technology services, oilfield related operation and maintenance services and sales of oilfield-related goods operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from goods and services from private and relatively small customers which are assessed based on provision matrix as at 31 December 2021 within lifetime ECL (not credit-impaired). Trade receivables from goods and services with significant outstanding balances from large multinational and state-owned oil companies and credit impaired with gross carrying amounts of RMB1,281,357,000 (2020: RMB1,135,898,000) and RMB474,920,000 (2020 RMB325,845,000) respectively as at 31 December 2021 were assessed individually.

**Trade receivables from goods and services from private and relatively small customers**

**31/12/2021**

| | **Average loss rate** | **Gross carrying amount** | **Impairment loss allowance** |
|---|---|---|---|
| Current (not past due) | **4.15%** | **372,966** | **15,477** |
| Within 1 year past due | **26.78%** | **46,573** | **12,473** |
| 1-2 years past due | **75.78%** | **54,781** | **41,512** |
| | | **474,320** | **69,462** |

**31/12/2020**

| | Average loss rate | Gross carrying amount | Impairment loss allowance |
|---|---|---|---|
| Current (not past due) | 3.49% | 355,025 | 12,389 |
| Within 1 year past due | 22.80% | 172,689 | 39,372 |
| 1-2 years past due | 67.20% | 82,452 | 55,407 |
| | | 610,166 | 107,168 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

(Amounts expressed in thousands of RMB, unless otherwise stated)



# 34. FINANCIAL RISK MANAGEMENT *(Continued)*

## 34.2 Financial risk factors *(Continued)*

### (b) Credit risk and impairment assessment *(Continued)*

**Notes receivable, restricted bank deposits and deposits in bank** *(Continued)*

Notes: *(Continued)*

(i) Trade receivables and contract assets from goods and services and lease receivables *(Continued)*

During the year ended 31 December 2021, the Group provided RMB37,235,000 (2020: RMB27,942,000) impairment allowance for trade receivables from goods and services from private and relatively small customers based on the provision matrix. Impairment allowance of RMB1,272,000 (2020: reversal of RMB1,069,000) were made on trade receivables from goods and services with significant balances from large multinational and state-owned oil companies. Impairment allowance of RMB7,384,000 (2020: RMB56,564,000) were made on credit impaired debtors.

For contract assets (the retention money receivables) and lease receivables which are arising from large multinational and state-owned oil companies, the Group performed impairment assessment and conclude that the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided.

The following table shows the movements in lifetime ECL that has been recognised for trade receivables from goods and services under the simplified approach:

| | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
|---|---|---|---|
| **As at 1 January 2020** | 112,172 | 72,881 | 185,053 |
| Changes due to financial instruments recognised as at 1 January 2020 | | | |
| – Impairment losses recognised, net of reversal | 14,484 | 56,564 | 71,048 |
| – Transfer to credit-impaired | (31,293) | 31,293 | – |
| New originated or purchased | 12,389 | – | 12,389 |
| **As at 31 December 2020** | 107,752 | 160,738 | 268,490 |
| Changes due to financial instruments recognised as at 1 January 2021: | | | |
| – Impairment losses recognised, net of reversal | **22,004** | **7,384** | **29,388** |
| – Transfer to credit-impaired | **(74,940)** | **74,940** | **–** |
| New originated or purchased | **16,503** | **–** | **16,503** |
| **As at 31 December 2021** | **71,319** | **243,062** | **314,381** |

(Amounts expressed in thousands of RMB, unless otherwise stated)

# 34. FINANCIAL RISK MANAGEMENT *(Continued)*

## 34.2 Financial risk factors *(Continued)*

### (b) Credit risk and impairment assessment *(Continued)*

**Notes receivable, restricted bank deposits and deposits in bank** *(Continued)*

Notes: *(Continued)*

(ii) Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

| | Past due | Not past due/ No fixed repayment terms | Total |
|---|---|---|---|
| **31/12/2021** | | | |
| Other receivables | **45,631** | **498,295** | **543,926** |
| **31/12/2020** | | | |
| Other receivables | 45,631 | 309,974 | 355,605 |

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

| | 12m ECL | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
|---|---|---|---|---|
| **As at 1 January 2020** | – | 3,724 | 41,907 | 45,631 |
| Changes due to financial instruments recognised as at 1 January 2020: | | | | |
| – Transfer to credit-impaired | – | (3,724) | 3,724 | – |
| **As at 31 December 2020** | – | – | 45,631 | 45,631 |
| **As at 31 December 2021** | **–** | **–** | **45,631** | **45,631** |

(iii) Notes receivable, restricted bank deposits and deposits in bank

At the end of the reporting period, the Directors have performed impairment assessment under 12m ECL model for notes receivable, restricted bank deposit, and deposits in bank, and concluded that there has been no significant increase in credit risk since initial recognition. Since the counterparties are banks with high credit ratings assigned by international credit-rating agencies, the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided for these financial assets.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 34. FINANCIAL RISK MANAGEMENT *(Continued)*

### 34.2 Financial risk factors *(Continued)*

#### (c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

The table below analyses the Group's financial liabilities and lease liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the financial period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**31/12/2021**

| | Weighted average interest rate | On demand or less than 1 year | 1-5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade and notes payables | - | 1,525,467 | - | 1,525,467 | 1,525,467 |
| Included in accruals and other payables | - | 572,565 | - | 572,565 | 572,565 |
| Lease liabilities | 8.699% | 24,465 | 10,465 | 34,930 | 32,662 |
| Short-term borrowings | 5.292% | 738,569 | - | 738,569 | 718,125 |
| Long-term borrowings | 6.192% | 87,988 | 49,435 | 137,423 | 131,347 |
| Long-term bonds | 9.264% | 1,343,475 | 1,165,558 | 2,509,033 | 2,094,128 |
| | | 4,292,529 | 1,225,458 | 5,517,987 | 5,074,294 |

**31/12/2020**

| | Weighted average interest rate | On demand or less than 1 year | 1-5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade and notes payables | – | 1,403,295 | – | 1,403,295 | 1,403,295 |
| Included in accruals and other payables | – | 515,543 | – | 515,543 | 515,543 |
| Lease liabilities | 8.738% | 59,172 | 28,262 | 87,434 | 66,155 |
| Short-term borrowings | 5.116% | 782,206 | – | 782,206 | 763,953 |
| Long-term borrowings | 7.001% | 171,594 | 135,454 | 307,048 | 295,027 |
| Long-term bonds | 8.907% | 174,010 | 2,104,280 | 2,278,290 | 1,866,659 |
| | | 3,105,820 | 2,267,996 | 5,373,816 | 4,910,632 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 34. FINANCIAL RISK MANAGEMENT *(Continued)*

### 34.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities and trade and notes payables, as shown in the consolidated statement of financial position. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total borrowings.

The gearing ratios at 31 December 2021 and 2020 were as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Total borrowings | **4,501,729** | 4,395,089 |
| Total equity | **2,828,161** | 2,763,721 |
| Total capital | **7,329,890** | 7,158,810 |
| Gearing ratio | **61%** | 61% |

### 34.4 Fair value estimation

The fair value of notes receivable is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group measures its following financial instruments at fair value at the end of the reporting period:

| **Financial asset** | **Fair value as at 31 December 2021** | **Fair value hierarchy** | **Valuation technique and key input** | **Significant unobservable input** |
|---|---|---|---|---|
| Notes receivable | **137,130,000** | Level 3 | Fair value is estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk. | Discount rate: 5.29% |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 34. FINANCIAL RISK MANAGEMENT *(Continued)*

### 34.4 Fair value estimation *(Continued)*

#### Reconciliation of Level 3 fair value measurements of notes receivable

| | **Notes receivable** |
|---|---|
| At 1 January 2021 | **281,083** |
| Addition | **550,750** |
| Disposals | **(696,272)** |
| Fair value change recognised in other comprehensive income | **1,569** |
| At 31 December 2021 | **137,130** |

Included in other comprehensive income is an amount of RMB5,943,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Year ended 31 December 2020: RMB7,512,000).

#### Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial liabilities including trade and notes payables, other payables, short-term borrowings, the current portion of long-term borrowings and the current portion of long-term bonds approximate their fair values due to their short maturities.

#### Financial liabilities

| **As at 31 December 2021** | **Carrying value** | **Fair value** |
|---|---|---|
| Long-term borrowings (non-current) | **48,152** | 47,013 |
| Long-term bonds (non-current) | **929,984** | 844,593 |
| | **978,136** | 891,606 |

| As at 31 December 2020 | Carrying value | Fair value |
|---|---|---|
| Long-term borrowings (non-current) | 96,184 | 93,281 |
| Long-term bonds (non-current) | 1,855,625 | 1,879,291 |
| | 1,951,809 | 1,972,572 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group are also considered as related parties.

### (a) The following party is related party of the Group during the year ended 31 December 2021:

| Name of related party | Nature of relationship |
|---|---|
| Mr. Luo Lin | The ultimate controlling shareholder of the Company |

### (b) Short-term bank borrowings guaranteed by related party

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| **Short-term borrowings** | | |
| Mr. Luo Lin (Note 17(b)) | **405,641** | 213,474 |

### (c) Key management compensation

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Salaries and other short-term employee benefits | **11,574** | 10,456 |
| Pension scheme | **262** | 263 |
| Share-based payments | **6,451** | 5,035 |
| | **18,287** | 15,754 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 36. SUBSIDIARIES

### (a) The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2021 and 2020:

| Company name | Place and date of incorporation/ establishment | Registered capital | Equity interest and voting power held by the Group | Principal activities |
|---|---|---|---|---|
| **Directly held:** | | | | |
| Anton Oilfield Services Company Limited | Hong Kong, 17 August 2007 | HK$100 | 100% | Investment holding |
| Anton Oilfield Services Company International Limited | Hong Kong, 17 July 2008 | HK$100 | 100% | Investment holding |
| **Indirectly held:** | | | | |
| Anton Oilfield Services (Group) Ltd. (安東石油技術(集團) 有限公司) | Beijing, the PRC, 28 January 2002 | US$248,029,000 | 100% | Oilfield services and sales of equipment |
| T-ALL Inspection Group Co., Ltd (通奧檢測集團股份有限公司, (formerly 新疆通奧油田技術服務有限公司) | Xinjiang Uygur Autonomous Region, the PRC, 21 February 2002 | RMB195,000,000 | 100% | Oilfield services |
| Anton Tong'ao Technological Products Co., Limited (安東通奧科技產業股份有限公司) | Xinjiang Uygur Autonomous Region, the PRC, 15 December 2005 | RMB90,000,000 | 90% | Manufacturing of rod casing |
| Shandong Precede | Shandong Province, the PRC, 2 September 2008 | RMB55,000,000 | 100% | Oilfield services and sales of equipment |
| Anton International FZE | The United Arab Emirates, 12 April 2009 | US$7,300,000 | 100% | Oilfield services |
| Sichuan Anton Oil Gas Engineering and Technology Services Co., Ltd. (四川安東油氣工程技術服務有限公司) | Sichuan Province, the PRC, 14 July 2009 | RMB400,000,000 | 100% | Oilfield services and sales of equipment |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 36. SUBSIDIARIES *(Continued)*

### (a) The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2021 and 2020: *(Continued)*

| Company name | Place and date of incorporation/ establishment | Registered capital | Equity interest and voting power held by the Group | Principal activities |
|---|---|---|---|---|
| Anton Oilfield Services DMCC | The United Arab Emirates, 28 March 2011 | US$54,462,150 | 100% | Oilfield services |
| Sichuan Tongsheng Drilling Technology Co., Ltd. (四川通盛鑽探工程有限公司) | Sichuan Province, the PRC, 13 February 2012 | RMB100,000,000 | 100% | Construction and drilling services, sales of drilling product |
| Xinjiang Anton Oilfield Services Co., Ltd. (新疆安東石油技術服務有限責任公司) | Xinjiang Uygur Autonomous Region, the PRC, 24 February 2012 | RMB80,000,000 | 100% | Oilfield services |
| Sichuan Anxiang Oil Engineering and Technology Co., Ltd. (四川安香石油工程技術有限公司) | Sichuan Province, the PRC, 22 December 2020 | US$41,236,000 | 74% | Oilfield services |

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

As at 31 December 2021, in the opinion of the Directors, there are no material non-controlling interests need to be disclosed.

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Assets | | |
| Non-current assets | | |
| Investments in subsidiaries | **4,979,725** | 4,979,725 |
| Current assets | | |
| Prepayments and other receivables | **275,227** | 298,218 |
| Cash and cash equivalents | **102,199** | 9,173 |
| | **377,426** | 307,391 |
| Total assets | **5,357,151** | 5,287,116 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | **276,274** | 276,273 |
| Other reserves (a) | **2,875,877** | 3,052,210 |
| Total equity | **3,152,151** | 3,328,483 |
| Liabilities | | |
| Non-current liabilities | | |
| Long-term bonds | **929,984** | 1,855,625 |
| Current liabilities | | |
| Current portion of long-term bonds | **1,164,144** | 11,034 |
| Trade and notes payables | **12,920** | 13,247 |
| Accruals and other payables | **97,952** | 78,727 |
| | **1,275,016** | 103,008 |
| Total liabilities | **2,205,000** | 1,958,633 |
| Total equity and liabilities | **5,357,151** | 5,287,116 |

(Amounts expressed in thousands of RMB, unless otherwise stated)

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Note:

(a) Reserve movements of the Company

| | Treasury shares | Share premium | Capital reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | – | 1,049,570 | 3,071,161 | (1,529,535) | 2,591,196 |
| Profit for the year | – | – | – | 476,245 | 476,245 |
| Repurchase of ordinary shares | (32,600) | – | – | – | (32,600) |
| Share option scheme | – | – | 17,369 | – | 17,369 |
| **At 31 December 2020** | (32,600) | 1,049,570 | 3,088,530 | (1,053,290) | 3,052,210 |
| **Balance at 1 January 2021** | **(32,600)** | **1,049,570** | **3,088,530** | **(1,053,290)** | **3,052,210** |
| Loss for the year | **-** | **-** | **-** | **(184,775)** | **(184,775)** |
| Repurchase of ordinary shares | **(19,438)** | **-** | **-** | **-** | **(19,438)** |
| Share option exercised | **-** | **8** | **(3)** | **-** | **5** |
| Share option scheme and restricted share award scheme | **-** | **-** | **27,875** | **-** | **27,875** |
| Vesting of shares under restricted share award scheme | **10,170** | **-** | **(10,170)** | **-** | **-** |
| **At 31 December 2021** | **(41,868)** | **1,049,578** | **3,106,232** | **(1,238,065)** | **2,875,877** |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 38. BENEFITS AND INTERESTS OF DIRECTORS

### Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2021:

| Name | Fees | Salary | Discretionary bonuses | Housing allowance | Estimated money value of other benefits (i) | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Mr. Luo Lin | - | 2,596 | - | - | 75 | 52 | - | - | 2,723 |
| Mr. Pi Zhifeng (chief executive) | - | 1,613 | - | - | 74 | 53 | - | - | 1,740 |
| Mr. Fan Yonghong | - | 1,955 | - | - | 74 | 53 | - | - | 2,082 |
| **Non-executive Director** | | | | | | | | | |
| Mr. Huang Song (iii) | - | 287 | - | - | - | - | - | - | 287 |
| **Independent Non-executive Directors** | | | | | | | | | |
| Mr. Zhang Yongyi (ii) | 287 | - | - | - | - | - | - | - | 287 |
| Mr. Zhu Xiaoping (ii) | 287 | - | - | - | - | - | - | - | 287 |
| Dato Wee Yiaw Hin (ii) | 645 | - | - | - | - | - | - | - | 645 |

(Amounts expressed in thousands of RMB, unless otherwise stated)



## 38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below: *(Continued)*

For the year ended 31 December 2020:

| Name | Fees | Salary | Discretionary bonuses | Housing allowance | Estimated money value of other benefits (i) | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Mr. Luo Lin | - | 1,911 | 624 | - | 45 | 48 | - | - | 2,628 |
| Mr. Pi Zhifeng (chief executive) | - | 1,336 | 20 | - | 71 | 48 | - | - | 1,475 |
| Mr. Fan Yonghong | - | 1,522 | 200 | - | 71 | 48 | - | - | 1,841 |
| **Non-executive Director** | | | | | | | | | |
| Mr. John William Chisholm (iii) | - | 282 | - | - | - | - | - | - | 282 |
| Mr. Huang Song (iii) | - | - | - | - | - | - | - | - | - |
| **Independent Non-executive Directors** | | | | | | | | | |
| Mr. Zhang Yongyi (ii) | 143 | - | - | - | - | - | - | - | 143 |
| Mr. Zhu Xiaoping (ii) | 287 | - | - | - | - | - | - | - | 287 |
| Dato Wee Yiaw Hin (ii) | 689 | - | - | - | - | - | - | - | 689 |

Notes:

(i) Other benefits include other insurance premium.

(ii) No share options in aggregate was granted to three independent non-executive directors during the year ended 31 December 2021 and 2020, and the total expense recognised in the consolidated statement of profit or loss for year ended 31 December 2021 amounted to Nil (31 December 2020: RMB259,000), the same amount for each independent non-executive director which are not included in this summary.

On 1 January 2021, 2,400,000 restricted shares with the fair value of HK$0.435 per share have been conditionally granted to three independent non-executive directors, and the total expense recognised in the consolidated statement of profit or loss for year ended 31 December 2021 amounted to RMB701,000 (31 December 2020: Nil), the same amount for each independent non-executive director which are not included in this summary.

(iii) Mr. John William Chisholm resigned in May 2020 and Mr. Huang Song was appointed as the non-executive director in December 2020.