SPT Energy Group Inc.

華油能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1251)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2022 was RMB1,757.2 million, representing an increase of RMB168.4 million, or 10.6%, from RMB1,588.8 million for the previous year. The profit attributable to equity owners of the Company was RMB13.2 million, while the profit attributable to equity owners of the Company for the previous year was RMB8.8 million.

No final dividend for the year ended 31 December 2022 was proposed by the Board to the shareholders of the Company (for the year ended 31 December 2021: nil).

RESULTS

The board of directors (the "**Board**") of SPT Energy Group Inc. (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Reporting Year**"), together with the comparative figures for the previous year as follows:

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**430,071**	402,533
Right-of-use assets		**60,890**	90,731
Intangible assets		**15,875**	17,384
Investments in an associate		**3,472**	2,840
Deferred income tax assets		**115,301**	116,674
Financial assets at fair value through other comprehensive income		**8,368**	11,688
Other non-current assets		**16,145**	–
Prepayments and other receivables	*5*	**324**	5,338
		650,446	647,188
Current assets			
Inventories		**556,669**	507,280
Contract assets	*3*	**32,731**	30,096
Trade and note receivables	*4*	**1,139,377**	999,247
Prepayments and other receivables	*5*	**208,610**	214,029
Restricted bank deposits		**17,189**	29,434
Cash and cash equivalents		**277,536**	359,415
		2,232,112	2,139,501
Total assets		**2,882,558**	2,786,689
Equity			
Equity attributable to the Company's equity holders			
Share capital	*6*	**1,178**	1,178
Share premium		**848,026**	848,026
Other reserves		**335,409**	332,812
Currency translation differences		**(525,073)**	(554,995)
Retained earnings		**575,241**	566,485
		1,234,781	1,193,506
Non-controlling interests		**(9,677)**	12,134
Total equity		**1,225,104**	1,205,640

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings		**43,035**	225,099
Non-current lease liabilities		**16,618**	35,807
Deferred income tax liabilities		**25,792**	25,991
		85,445	286,897
Current liabilities			
Borrowings		**375,295**	292,903
Current portion of long-term borrowings		**124,253**	59,889
Contract liabilities	*3*	**53,460**	44,776
Trade and note payables	*7*	**733,759**	673,355
Accruals and other payables	*8*	**218,990**	144,195
Current income tax liabilities		**54,809**	50,842
Current portion of lease liabilities		**11,443**	28,192
		1,572,009	1,294,152
Total liabilities		**1,657,454**	1,581,049
Total equity and liabilities		**2,882,558**	2,786,689

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,757,162**	1,588,799
Other (losses)/gains, net		**(7,640)**	4,895
Operating costs			
Material costs		**(482,754)**	(354,883)
Employee benefit expenses		**(591,885)**	(537,018)
Short-term and low-value lease expenses		**(113,575)**	(94,055)
Transportation costs		**(28,572)**	(42,502)
Depreciation and amortisation		**(74,074)**	(75,237)
Technical service expenses		**(151,736)**	(226,672)
Net impairment losses of financial and contract assets		**(28,349)**	(10,282)
Impairment losses of inventories and prepayments		**(4,640)**	(10,141)
Others		**(221,069)**	(189,506)
		(1,696,654)	(1,540,296)
Operating profit		**52,868**	53,398
Finance income	*9*	**642**	721
Finance costs	*9*	**(38,083)**	(42,714)
Finance costs, net		**(37,441)**	(41,993)
Share of net profit of an associate accounted for using the equity method		**819**	470
Profit before income tax		**16,246**	11,875
Income tax expense	*10*	**(8,789)**	(7,688)
Profit for the year		**7,457**	4,187
Attributable to:			
Owners of the Company		**13,241**	8,795
Non-controlling interests		**(5,784)**	(4,608)
		7,457	4,187
Earnings per share for the profit attributable to the owners of the Company (RMB)			
Basic earnings per share	*12*	**0.007**	0.005
Diluted earnings per share	*12*	**0.007**	0.005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 *RMB'000*	2021 *RMB'000*
Profit for the year		**7,457**	4,187
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(33,772)**	(8,719)
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		**63,282**	(16,752)
Changes in fair value of equity investments at fair value through other comprehensive income		**(3,319)**	(4,030)
Total comprehensive income/(loss) for the year		**33,648**	(25,314)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**39,844**	(21,306)
Non-controlling interests		**(6,196)**	(4,008)
		33,648	(25,314)
Total comprehensive income/(loss) for the year		**33,648**	(25,314)

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**14,863**	27,569
Income tax paid		**(10,254)**	(14,901)
Net cash generated from operating activities		**4,609**	12,668
Cash flows from investing activities			
Purchases of property, plant and equipment		**(24,482)**	(11,924)
Proceeds from disposal of property, plant and equipment		**3**	89
Proceeds from disposal of an associate in prior years		**219**	–
Transactions with non-controlling interests		**–**	(1,452)
Decrease/(increase) in restricted bank deposits		**12,245**	(2,097)
Cashflow from other investing activities		**–**	14,440
Partial payment of consideration for acquisition of a subsidiary, net of cash acquired		**(377)**	7,411
Interest received		**637**	626
Dividends received from an associate		**187**	178
Dividends received from investment in financial assets at fair value through other comprehensive income		**581**	1,004
Net cash (used in)/generated from investing activities		**(10,987)**	8,275
Cash flows from financing activities			
Proceeds from borrowings		**583,198**	444,465
Repayments of borrowings		**(618,176)**	(352,687)
Interest paid		**(29,598)**	(37,295)
Principal elements of lease payments		**(15,611)**	(25,452)
Payments of financing fee and deposits		**(5,990)**	(7,480)
Net cash (used in)/generated from financing activities		**(86,177)**	21,551
Net (decrease)/increase in cash and cash equivalents		**(92,555)**	42,494
Cash and cash equivalents at beginning of the year		**359,415**	321,618
Effects of exchange rate changes on cash and cash equivalents		**10,676**	(4,697)
Cash and cash equivalents at end of the year		**277,536**	359,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the provision of oil-field services including drilling, well completion, reservoir and the manufacturing and sale of oilfield services related products in the People's Republic of China (the "PRC") and overseas. The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (吳東方) (collectively referred to as the "Controlling Shareholders").

The Company's shares have been listed on the Main Board of The Shock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 December 2011.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and are approved for issue by the Board of Directors on 23 March 2023.

2. BASIS OF PREPARATION

2.1 Compliance with IFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

2.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

2.3 New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3. SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on this financial information.

The Group's operating segments, which are also the reportable segments, are entity or group of entities that offer different products and services, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance.

They are so managed according to different natures of products and services. Most of these entities are engaged in just single business, except for a few entities which deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of four reportable segments: drilling, well completion, reservoir and others. These reporting segments comprise respective services performed in these areas and related ancillary manufacturing activities.

(a) Revenue

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Drilling	**500,821**	567,631
Well completion	**422,255**	279,191
Reservoir	**692,350**	693,965
Others*	**141,736**	48,012
	1,757,162	1,588,799

* Others include the sales of alcohol and gas.

The revenue from external customers reported to the CODM is measured in a manner consistent with that in the income statement. The CODM evaluates the performance of the reportable segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance costs and certain unallocated expense ("EBITDA").

Revenue amounting to RMB1,221,325,000 (2021: RMB1,148,043,000) are derived from China National Petroleum Corporation ("CNPC") and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 2022 and 2021 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2022					
Revenue from external customers	**500,821**	**422,255**	**692,350**	**141,736**	**1,757,162**
Time of revenue recognition					
– At a point in time	**8,928**	**245,042**	**71,078**	**141,736**	**466,784**
– Over time	**491,893**	**177,213**	**621,272**	**–**	**1,290,378**
EBITDA	**71,872**	**62,879**	**114,443**	**9,527**	**258,721**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2021					
Revenue from external customers	567,631	279,191	693,965	48,012	1,588,799
Time of revenue recognition					
– At a point in time	6,228	115,093	72,361	48,012	241,694
– Over time	561,403	164,098	621,604	–	1,347,105
EBITDA	76,580	40,810	110,801	255	228,446

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

The segment information on total assets as at 31 December 2022 and 31 December 2021 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
As at 31 December 2022					
Segment assets	**790,961**	**819,427**	**588,061**	**77,084**	**2,275,533**
Unallocated assets					**607,025**
Total assets					**2,882,558**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**32,718**	**8,192**	**32,585**	**47,414**	**120,909**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 31 December 2021					
Segment assets	841,144	750,610	439,332	75,136	2,106,222
Unallocated assets					680,467
Total assets					2,786,689
Additions to non-current assets (other than financial instruments and deferred income tax assets)	23,327	7,495	8,979	454	40,255

A reconciliation of EBITDA to profit before income tax is provided as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
EBITDA for reportable segments	**258,721**	228,446
Unallocated expenses		
– Share-based payments	**–**	(2,289)
– Other (losses)/gains, net	**(7,640)**	4,895
– Unallocated overhead expenses	**(123,320)**	(101,947)
	(130,960)	(99,341)
	127,761	129,105
Depreciation and amortisation	**(74,074)**	(75,237)
Finance costs	**(38,083)**	(42,714)
Finance income	**642**	721
Profit before income tax	**16,246**	11,875

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Segment assets for reportable segments	**2,275,533**	2,106,222
Unallocated assets		
– Deferred income tax assets	**115,301**	116,674
– Unallocated inventories	**41,889**	43,148
– Unallocated prepayment and other receivables	**143,270**	117,268
– Restricted bank deposits	**17,189**	29,434
– Cash and cash equivalents	**277,536**	359,415
– Financial assets at fair value through other comprehensive income	**8,368**	11,688
– Investments in an associate	**3,472**	2,840
	607,025	680,467
Total assets per balance sheet	**2,882,558**	2,786,689

(c) Geographical segment

The following table shows revenue by geographical segment which is based on where the customer is located.

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
PRC	**1,095,303**	1,060,850
Kazakhstan	**361,180**	297,325
Turkmenistan	**60,220**	86,383
Canada	**44,556**	45,312
Indonesia	**71,443**	43,321
Middle East	**47,021**	30,812
Others	**77,439**	24,796
	1,757,162	1,588,799

The following table shows the non-current assets other than deposits and other receivables, investments in an associate, deferred income tax assets and financial assets at fair value through other comprehensive income by geographical segment according to the country of domicile of the respective entities in the Group:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
PRC	**295,157**	308,643
Kazakhstan	**53,513**	55,242
Middle East	**47,587**	54,465
Indonesia	**19,524**	438
Singapore	**19,203**	18,950
Turkmenistan	**14,170**	19,045
Canada	**4,958**	7,291
Others	**69,192**	50,678
	523,304	514,752

(d) **Assets and liabilities related to contracts with customers**

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current contract assets	**33,763**	30,837
Loss allowance	**(1,032)**	(741)
Total contract assets	**32,731**	30,096
Current contract liabilities	**53,460**	44,776
Total contract liabilities	**53,460**	44,776

(i) ***Revenue recognised in relation to contract liabilities***

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract.

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Drilling	**4,919**	82
– Well completion	**–**	1,802
– Reservoir	**112**	1,774
– Other	**34,189**	–
Total	**39,220**	3,658

(ii) ***Unsatisfied long-term service contracts***

The following table shows unsatisfied performance obligations resulting from fixed price long-term service contracts:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within one year	**666,149**	610,471
More than one year but not more than two years	**317,737**	339,386
More than two years	**106,081**	103,809
Total	**1,089,967**	1,053,666

4. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables *(a)*	**1,202,208**	1,014,822
Less: loss allowance	**(131,491)**	(110,379)
Trade receivables-net	**1,070,717**	904,443
Notes receivable *(a)*	**68,735**	94,804
Less: loss allowance	**(75)**	–
Notes receivable-net	**68,660**	94,804
	1,139,377	999,247

Notes

(a) The ageing analysis of the trade and note receivables based on invoice date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Up to 6 months	**837,346**	821,048
6 months – 1 year	**65,794**	44,183
1 – 2 years	**151,212**	41,653
2 – 3 years	**28,157**	107,475
Over 3 years	**188,434**	95,267
Trade and note receivables, gross	**1,270,943**	1,109,626
Less: loss allowance	**(131,566)**	(110,379)
Trade and note receivables, net	**1,139,377**	999,247

(b) Certain trade and note receivables have been pledged for the Group's bank borrowings.

5. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current		
Advances to suppliers	**101,855**	109,077
Prepayment for taxes	**46,001**	38,694
Less: loss allowance	**(4,953)**	(4,661)
Total non-financial assets	**142,903**	143,110
Deposits and other receivables	**70,450**	74,289
Less: loss allowance	**(4,743)**	(3,370)
Total financial assets	**65,707**	70,919
	208,610	214,029
Non-current		
Prepayment for equipment and machinery	**323**	4,104
Deposits and other receivables	**1**	1,234
Total non-financial assets	**324**	5,338
Total	**208,934**	219,367

6. SHARE CAPITAL

	Number of shares (Thousands)	**Share capital** *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each		
As at 31 December 2021 and 2022	5,000,000	3,219
Issued and fully paid:		
Ordinary shares of USD0.0001 each		
As at 31 December 2021 and 2022	1,853,776	1,178

7. TRADE AND NOTE PAYABLES

Ageing analysis of trade and note payables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Up to 6 months	**519,586**	427,445
6 months to 1 year	**38,558**	81,903
1 – 2 years	**63,272**	49,851
2 – 3 years	**21,449**	64,693
Over 3 years	**90,894**	49,463
	733,759	673,355

8. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Payroll and welfare payable	**112,763**	63,845
Taxes other than income taxes payable	**30,027**	33,817
Other payables – related parties	**14,872**	–
Other payables for purchase of property, plant and equipment	**13,869**	8,703
Other payables	**47,459**	37,830
	218,990	144,195

The fair value of accruals and other payables approximate their carrying values.

9. FINANCE COSTS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Finance income:		
– Interest income from bank deposits	**637**	625
Net foreign exchange gains on financing activities	**5**	96
Finance income	**642**	721
Interest expense:		
– Bank borrowings	**(27,890)**	(28,094)
– Interest paid for lease liabilities	**(2,257)**	(3,519)
– Other borrowings	**(5,106)**	(7,935)
Bank charges and others	**(2,830)**	(3,166)
Finance costs	**(38,083)**	(42,714)
Finance costs, net	**(37,441)**	(41,993)

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax *(a)*	**7,091**	7,378
Deferred income tax	**1,698**	310
Income tax expense	**8,789**	7,688

Notes

(a) Current income tax

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

(ii) PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2022 and 2021, certain subsidiaries established in the western area of the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

(iii) The Group's subsidiaries established in Singapore are subject to Singapore profits tax at a rate of 17% (2021: 17%).

(iv) The corporate income tax rate for subsidiaries established in Kazakhstan is 20%. Income tax is charged on all business income generated in Kazakhstan with relief for tax deductible expenses (2021: 20%).

(v) The corporate income tax rate for subsidiaries established in Canada is 25% (2021: 25%).

(vi) Taxation on profits generated in other locations has been provided at the rate of taxation prevailing in the countries in which those profits arose.

(b) The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit before income tax	**16,246**	11,875
Tax calculated at domestic tax rates applicable in respective countries	**(451)**	5,399
Expenses not deductible for taxation purposes	**2,379**	2,856
Income not subject to taxation	**(123)**	(70)
Utilisation of previously unrecognised tax losses	**(11,831)**	(13,523)
Losses not recognised as deferred income tax assets	**18,851**	12,868
Withholding tax relating to unremitted retained earnings	**258**	282
Additional deduction of research and development expense	**(294)**	(124)
Income tax expense	**8,789**	7,688

11. DIVIDENDS

The Board did not propose a final dividend for the year ended 31 December 2022 (2021: Nil).

12. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB' 000)	**13,241**	8,795
Weighted average number of ordinary shares in issue (thousands)	**1,853,776**	1,853,776
Basic earnings per share (RMB per share)	**0.007**	0.005

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The share options in issue have not been included in the calculation of the diluted earnings per share, as the exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the year ended 31 December 2022 and the diluted earnings per share is the same as the basic earnings per share during the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Reporting Year, the pandemic has kept resurfacing, but the mass vaccination has led to a general reduction in severe disease and mortality rates. Given such reduction, most countries decided to change their decisions about the pandemic. To be specific, many countries, including China, began to further loosen their epidemic prevention policies to accelerate the return to the normal running of work and life. In 2022, the global economy saw a significant slowdown in growth due to the resurgence of the pandemic, inflationary pressures and geopolitical shocks. For the global oil and gas market, energy supply tensions emerged in many parts of the world, and the security of oil and gas supply once again attracted attention. Geopolitical events triggered a sharp rise in international oil and gas prices and violent fluctuations. To respond to the rising oil prices and the realistic need to secure energy supply, global oil companies had to adjust their capital expenditures on exploration and extraction, thus driving the gradual recovery of industry prosperity. To this end, the oil services industry ushered in a steady development stage. Meanwhile, the oil services industry is still facing a complex market pattern and fierce market competition against the background of energy structural change.

In the face of the severe challenges and complex industry situation brought about by the resurgence of the pandemic in 2022, the Group faced up to the difficulties and sought breakthroughs, and seized opportunities to promote its development. Eliminating the adverse impact of the internal and external environment, the Group fully leveraged its strengths to combat risks, ensuring its steady operation. During the Reporting Year, the Group continued to improve its revenue and profit level, recording revenue of RMB1,757.2 million, an increase of RMB168.4 million or 10.6% over last year; and profit for the Reporting Year of RMB7.5 million, an increase of RMB3.3 million or 78.6% over last year. The Group continued to integrate its advantageous resources, enhance its business layout, promote the expansion of emerging markets and low-carbon projects from the strategic perspective of diversified industrial construction, promote the synergistic development of our traditional business and new energy business and achieve a decisive breakthrough. The Group has always adopted a prudent financial policy and adhered to its asset-light operating strategy, achieving sustained year-on-year growth in results, fully demonstrating the Group's strong risk-resilience, operational flexibility and sustainable development capability.

REVENUE ANALYSIS

During the Reporting Year, the Group realised revenue of RMB1,757.2 million, representing an increase of RMB168.4 million or 10.6% as compared to previous year. The analysis of the Group's revenue by business segment is as follows:

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue			
Reservoir	**692,350**	693,965	(0.2%)
Drilling	**500,821**	567,631	(11.8%)
Well completion	**422,255**	279,191	51.2%
Other	**141,736**	48,012	195.2%
Total	**1,757,162**	1,588,799	10.6%

During the Reporting Period, with the increase in international oil prices, the operating performance of oil companies increased significantly, capital expenditures continued to increase, the demand for oil in the oil market saw a gradual recovery, and the Group's revenue has achieved steady growth. In particular, revenue from reservoir segment accounted for 39.4% of the total revenue, representing a decrease of RMB1.6 million or 0.2% as compared to previous year. Revenue from drilling segment accounted for 28.5% of the total revenue, representing a decrease of RMB66.8 million or 11.8% as compared to previous year. Revenue from well completion segment accounted for 24.0% of the total revenue, representing an increase of RMB143.1 million or 51.2% as compared to previous year. Revenue from other services segments accounted for 8.1% of the total revenue, representing an increase of RMB93.7 million or 195.2% as compared to the previous year. The revenue from reservoir segment remained basically unchanged as compared to the previous year. The slight decrease in revenue from drilling segment was mainly due to the Group' improvement in business structure, and scale-down of part of drilling businesses involving significant assets deployment. The significant increase in revenue from well completion segment was attributable to the increase in domestic and overseas well completion business and fracturing operation business.

RESERVOIR SERVICE SEGMENT

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from reservoir services			
Overseas	**242,957**	240,430	1.1%
PRC	**449,393**	453,535	(0.9%)
Total	**692,350**	693,965	(0.2%)

The reservoir service segment of the Group provides geology research and oil reservoir research services, dynamic monitoring service, oil testing service, oil recovery technology service, coiled tubing service and repair service of surface production devices, etc.

During the Reporting Year, the Group's reservoir segment recorded revenue of RMB692.4 million, representing a decrease of RMB1.6 million or 0.2% as compared to previous year. In 2022, reservoir segment in China has recorded revenue of RMB449.4 million, representing a decrease of RMB4.1 million or 0.9% as compared to previous year, and accounted for 64.9% of the total revenue of reservoir segment. As for overseas reservoir segment, it recorded revenue of RMB243.0 million in 2022, representing an increase of RMB2.5 million or 1.1% as compared to previous year, and accounted for 35.1% of the total revenue of reservoir segment. The revenue from this segment remained basically unchanged compared to last year.

DRILLING SERVICE SEGMENT

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from drilling services			
Overseas	**248,106**	168,881	46.9%
PRC	**252,715**	398,750	(36.6%)
Total	**500,821**	567,631	(11.8%)

The drilling services of the Group include drilling rig service, workover rig service, complex well workover and fishing service, rotary geosteering technology service, vertical drilling technology service, horizontal drilling technology service, side tracking technology service, underbalanced drilling technology service, fine managed pressure drilling technology service, cementing services and drilling fluid services, etc.

During the Reporting Year, the Group's drilling service segment recorded revenue of RMB500.8 million, representing a decrease of RMB66.8 million or 11.8% as compared to previous year. In 2022, drilling segment in China has recorded revenue of RMB252.7 million, representing a decrease of RMB146.0 million or 36.6% as compared to previous year, and accounted for 50.5% of the total revenue of drilling segment. Such decrease was mainly attributable to the decrease in coalbed methane drilling business in Sichuan and Chongqing, drilling fluid service and special well business in Xinjiang. As for overseas drilling segment, it recorded revenue of RMB248.1 million, representing an increase of RMB79.2 million or 46.9% as compared to previous year, and accounted for 49.5% of the total revenue of drilling segment. The growth was attributable to the increase in overseas workover operations and drilling business.

WELL COMPLETION SERVICE SEGMENT

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from well completion services			
Overseas	**126,764**	111,888	13.3%
PRC	**295,491**	167,303	76.6%
Total	**422,255**	279,191	51.2%

The Group provides comprehensive well completion tools, products and services to customers, including well completion project design, well completion tools service as well as stimulation and fracturing service.

During the Reporting Year, well completion service segment recorded revenue of RMB422.3 million, representing an increase of RMB143.1 million or 51.2% as compared to previous year. Among which, well completion segment in China recorded revenue of RMB295.5 million, representing an increase of RMB128.2 million or 76.6% as compared to previous year, and accounted for 70.0% of the total revenue of well completion segment. Such increase was mainly due to the increase in well completion business in Xinjiang and Sichuan-Chongqing region. In terms of overseas well completion segment, it recorded revenue of RMB126.8 million, representing an increase of RMB14.9 million or 13.3% as compared to previous year, and accounted for 30.0% of the total revenue of well completion segment. The increase was mainly due to the increase in well completion business in Indonesia and fracturing operation in Kazakhstan.

OTHER SEGMENT

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from other segments			
Overseas	**44,031**	6,751	552.2%
PRC	**97,705**	41,261	136.8%
Total	**141,736**	48,012	195.2%

Currently, revenue from other segments of the Group mainly includes revenue generated from sale of natural gas and sale of quality edible alcohol.

During the Reporting Year, other segment recorded revenue of RMB141.7 million, representing an increase of RMB93.7 million or 195.2% as compared to the previous year. Among which, revenue from the Group's other segment in China amounted to RMB97.7 million, representing an increase of RMB56.4 million or 136.8% as compared to the previous year, and accounted for 68.9% of the total revenue of other segment, mainly attributable to the increase in natural gas sales business in Xinjiang. Revenue from overseas markets amounted to RMB44.0 million, representing an increase of RMB37.3 million or 552.2% as compared to the same period of previous year, and accounted for 31.1% of the total revenue of other segment, which was mainly due to the increase in sales business of edible alcohol project in Ghana, Africa.

MARKET ENVIRONMENT

During the Reporting Year, the pandemic has exerted varying degrees of negative influence on global consumption, investment, imports and exports, resulting in a slow down of global economic growth. The turmoil throughout the world has resulted in complex and severe energy supply and demand increase at the international level. Brent and WTI crude oil futures prices showed an inverted "V" trend, with an annual amplitude of over 80%. Natural gas prices achieved the largest increase in history and many countries experienced energy crises. The tight fundamental balance in the oil market was not reversed as Organization of the Petroleum Exporting Countries ("OPEC+") entered production cut mode again to support oil prices after a record production cut ended. Global oil and gas exploration and development re-entered a ramp-up phase in 2022, driven by rising demand to address energy security concerns. It is expected that in 2023, global economic growth will slow down even when the impact of the pandemic has been diminished. World oil demand will remain resilient and global energy supply will remain tight, with countries still placing energy security as a core issue.

At the same time, the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a consensus on a green and low-carbon energy transition and energy security, and global climate cooperation entered a critical stage of implementation. In 2022, global investment in the energy transition broke a trillion dollars for the first time, with investment in renewable energy, nuclear energy, energy storage and carbon capture and storage (CCS) accounting for half of the total. International oil giants are trying to find new opportunities for future development in the energy transition and increase presence in the new energy sources.

With the recovery in crude oil prices, upstream companies have strong incentives to increase production, global oil and gas companies have increased their willingness to invest and the prosperity in the oil services industry has been driven by an increase in capital expenditure. The three largest international oil services companies also achieved improved results in 2022 and they focused on accelerating the application of digital and innovative technologies to transform the traditional energy sector, promoting the clean-up of the traditional energy sector and the efficient and stable synergistic development of the new energy sector. In 2023, as the global economy recovers, energy demand picks up and crude oil prices remain high, global oil companies are expected to take advantage of the opportunity to adjust capital expenditure on exploration and extraction and to implement plans to increase reserves and production, indicating that the oil service industry will continue to be prosperous.

Overseas Market

The Group's overseas operations are primarily located in Kazakhstan and Turkmenistan in Central Asia, Indonesia and Singapore in Southeast Asia, Canada in North America, the Middle East and Africa. During the Reporting Year, the recurrence of the pandemic and geopolitical conflicts led to a global economic contraction and a global energy crisis, as a result of which the pattern of energy supply and demand and the price system were affected severely. Chronic underinvestment in the traditional energy sector has led to limited growth in energy supply capacity. In October 2022, OPEC+ entered into production cut mode again after announcing an increase in production in August, with a strong willingness to limit production to protect prices. The high level of oil and gas prices has created a good market opportunity for international oil companies to improve their operating performance. During the Reporting Period, the five major international oil companies all achieved record operating results. Stimulated by high oil prices and the practical need to secure energy supply, oil companies are stepping up investment in the upstream sector to increase oil and gas production capacity and enhance supply capacity, which in turn brings more job opportunities to the oil services industry.

The Group overcame the adverse impact on the Company arising from the spread of the epidemic overseas, weathered the competitive market pressure faced by the global oil and gas industry during the transition period, and seized the opportunity period of the oil services industry rebound to make new leaps in its overseas business. In 2022, China vigorously promoted multilateral diplomacy, and the establishment and consolidation of energy cooperation relations with countries along the "Belt and Road" became a "ballast" for energy diplomacy. China and Kazakhstan were among the first countries to sign bilateral cooperation documents and to carry out in-depth cooperation on the "Belt and Road". The energy sector has always been an important component of the bilateral practical cooperation between the two countries. As a key overseas market for the Group, Kazakhstan continues to contribute significant output and profits to the Group. The political situation in Kazakhstan was turbulent in the beginning of the year, and due to the impact of the Russian-Ukrainian conflict, labour costs, overheads and other expenses in the region all rose significantly. Through measures such as increasing the settlement ratio, raising prices and efficiency, improving the completion rate of contracts and controlling cost increases, the Group effectively ensured the project profitability and the passive situation was reversed. The subsidiary Kazakhstan overcame difficulties and exceeded its output value target, laying a solid foundation for the Group's performance. As one of the first service providers entering the Turkmenistan gas market, the Turkmenistan operation has established a good brand reputation through its professional and quality technical services and has always played an important role in first-class international gas projects. During the Reporting Period, the output profit target of the Turkmenistan operation was exceeded, while the successful application of a series of new technologies laid the foundation for the next step. The overall business service quality in the Middle East has been steadily improving with high customer recognition. On the basis of maintaining the existing market, we are gradually promoting more business types, and the type of engineering services has now been gradually expanded from a single dynamic monitoring service in the early stage to a number of areas such as repair, completion and oil testing, and the order book has been steadily increased. In 2022, the Group won the bid for joint exploration and development rights of Jabung Tengah oil and gas block in Indonesia for a period of 30 years. As a major breakthrough of the Group's strategic business, it is expected to become a pillar business of the Group and provide a foundation for the Group's sustainable and healthy development. The breakthrough in the manufacturing capability of high-end completion tools at the Global R&D Centre in Singapore and the large-scale application of well completion tools are the highlights of the well completion segment in 2022. The Group is preparing for recruiting global agents to expand the market and continuously enhance the international market presence. The Group continuously produce and sell the high-end electronic pressure gauges and accessories for downhole monitoring in North America. The Ugandan Bonded Warehouse in Africa funded by us has obtained the business license from government. Oil services businesses in African markets, including South Sudan also achieved breakthrough for some projects, laying a good foundation for the further expansion of market. After a full year of production operations at the Ghana Alcohol Factory, the supply of raw materials became more adequate. Through equipment renovation, process improvement and fuel replacement and other measures, the production capacity of the alcohol production line was significantly enhanced and production costs were significantly reduced. With alcohol demand exceeding supply, higher sales prices have also been achieved.

Domestic Market

During the Reporting Year, China's oil and gas industry maintained its strategic focus in the face of dramatic changes in the global oil and gas market, downward pressure on the world economy and the evolving world changes that have been unprecedented in a century. The report of the 20th National Congress of the Party proposed "accelerating the planning and construction of a new energy system", drawing a new blueprint for the future development of China's energy system. Chinese oil companies continued to promote the "Seven-Year Action Plan" to increase oil and gas reserves and production, and the country's oil and gas exploration and development made significant new progress – oil production returned to 200 million tonnes, making a major contribution to enhancing national energy security. In 2022, under the strong impetus of the National Energy Administration, domestic oil and gas companies continued their strategic objective of "increasing reserves and production", and capital expenditure on exploration and development continued to rise, contributing to the steady growth of domestic oil and gas production. Under the 14th Five-Year Plan and beyond, "building a new energy system that is clean, low-carbon, safe and efficient, and improving the ability to secure energy supply" has become an important part of transforming economic development and safeguarding national energy security, guided by the goals of high-quality development and the carbon peaking and carbon neutrality ("**dual carbon**") strategy. China's oil and gas industry will further increase its development efforts, accelerate the construction of a new energy system, and strive to enhance its energy production and security capacity to ensure that energy supply remains firmly in its own hands and achieve a new leap forward. The domestic oilfield services market is expected to continue to grow steadily as the three major domestic oil companies' operating results increase significantly and capital expenditure continues to increase.

During the Reporting Year, oil and gas production from the Tarim Oilfield in Xinjiang reached a record high of 33.1 million tonnes, further consolidating the Tarim Oilfield's strategic position as an important energy production base in China. Xinjiang has always been one of the Group's key markets, and the Group has been developing the Xinjiang market relying on the CNPC Tarim Oilfield, Xinjiang Oilfield and Tuha Oilfield. During the Reporting Period, the Group's determination and technical strength have helped to develop the "Underground Everest" in the Shunbei Oil and Gas Field, and completed most of the pressure testing work for a "1,000-ton well". The strength, quality and efficiency of the well test were highly recognized by the client, and the Company became a priority partner in the testing of key wells and highly-difficult wells. Despite the rise in oil prices, the substantial increase in revenue and profit and the increase in investment in 2022, the customer still insisted on effective price control, implemented meticulous management, promoted cost reduction and efficiency enhancement, and changed its development mode from investment-driven operation to technology and innovation-driven operation, resulting in low engineering service prices and exceptionally fierce competition in the market. The Group seized the opportunity to expand its business, and through continuous technical innovation, tackled difficulties and identified major directions to ensure an increase in workload. During the Reporting Year, the Group's well completion business in Xinjiang continued to maintain its leading position in the region. It successfully developed and formed a series of nano oilfield chemicals under its own brand name HYBEOR®, on the basis of which it successfully developed high-performance oilfield recovery enhancement solutions such as HYSPRINGTM. This technology has filled the gap in China and will bring the Group a more stable market share in high-pressure oil and gas fields such as Tarim. With its well workover and fishing technology services, the Group continued to take a lead in the slim hole complex fishing business and open-hole dredging of ultra-long horizontal wells in the Tarim Oilfield, Shunbei Oilfield and Southwest Oil and Gas Field in China. Two of the Group's subsidiaries in Xinjiang were accredited as "Innovative Small and Medium-sized Enterprises" in the Xinjiang Uygur Autonomous Region, signifying the high professional level, strong innovation capability and great development potential of the Group.

During the Reporting Year, significant improvement has been witnessed in the Sichuan and Chongqing markets in terms of well completion business. Riding on such incremental momentum as a whole, it is our intention to keep consolidating the existing market share and exploring new markets. Among them, the wellhead project in Chongqing broke the bottleneck of the Group's wellhead business in the Sichuan and Chongqing region and laid the foundation for the development of the wellhead market in the future. The promotion of new technologies and new processes represented by re-fracturing in the fracturing stimulation project has brought about an increase in the operating profit of the Group. The secondary fracturing stimulation solution was applied in Fuling shale gas wells, producing obvious stimulation effect, and has been implemented for five well times. In respect of drilling speed-up technology, the Group integrated the existing rotary steering and other speed-up tools according to the needs of customers, and carried out relevant technical preparation and proposal demonstration, and successfully completed the operation of multiple wells.

In recent years, the Group has actively explored the business cooperation in the field of offshore oil and gas exploration and development, and has achieved great progress. The business strategy and development plan of China National Offshore Oil Corporation Limited ("**CNOOC**") shows that in 2023, CNOOC will implement the strategy of concurrent development of oil and gas as well as the stabilization of oil and incrementation of gas, while deepening the Bohai Sea and accelerating the South China Sea to realize an unconventional development, and actively tackling deep-seated coalbed methane. During the Reporting Year, the Group successfully renewed the tight gas block drilling service project of China United Coalbed Methane Corp. Ltd. ("**CUCBM**") after winning the tender for the first time since 2021. The Group completed the first deep coal seam horizontal well in the Shenfu block of CUCBM, setting a new record for CUCBM, which was highly praised by customers and was awarded the honorary title of "Zhonglian Shenfu Iron Army". The Group also assisted CUCBM to win the first prize of CNOOC's Reserve Special Award for the "Major Field Breakthrough in Deep Coal Seam Exploration in Linxing-Shenfu District, Ordos Basin" Project. The Group also stood out and was awarded as the "Outstanding Contractor of CUCBM in 2022." CUCBM has been actively implementing the 14th Five-Year Plan for CBM and the Group's seven-year plan for increasing reserves and production of coalbed methane, and planned to implement the project to increase the reserves of on-land unconventional natural gas by 10 million cubic meters, and actively promote the integration of exploration and development. By focusing on the implementation of the Shenfu Reserve Zone, it is expected that the Group will achieve development by leaps and bounds in the future. The Group will continue to promote the cooperation relationship with CUCBM, seize the opportunity to assist CUCBM to implement the strategic deployment of coalbed methane, and strive to obtain a larger share in the CNOOC land market. The Group will continue to leverage on its technological advantages and increase the promotion and application of mature technologies in Bohai Sea, such as enhanced water flooding, increased reserves and discovery of potential oil and underwater production systems. In addition, the Group further promoted deepwater/deep formation exploration, enhanced oil recovery, heavy oil/low permeability development technology research, and carried out market expansion work closely following the strategic deployment of customers to deploy in the South China Sea market.

During the Reporting Year, the Group's unconventional oil and gas and other businesses continued to achieve breakthroughs, won the bid for supporting steel wire operation technical services in terms of injection-production well completion and well killing for gas storage in Jintan, gas storage dynamic testing service in Jintan and Liuzhuang by virtue of its outstanding technical solutions and strong technologies. In 2022, the Group achieved a record of 100,000 meters of drilling footage in the Shanxi Coal Bed Methane project. The Group has recorded no accidents and a number of drilling records throughout the year, which has won many awards from the property owners. In order to actively respond to China's dual carbon targets, the Group has been actively following up and participating in a number of CCUS projects from Yulin Chemical Co. ltd, a subsidiary of National Energy Investment Group. Up to the date of this announcement, the Group has won the bid for the Yulin project and has made a good foundation for future work.

To sum up, in 2022, against the backdrop of the repeated COVID-19 pandemic, the extremely turbulent international oil and gas market and the global energy transition, the Group achieved steady development and made breakthroughs in both domestic and overseas markets. The Group will constantly develop new technology and partnership while consolidating existing oil service markets, in a bid to improve its influence in the field of new energy, continuously explore emerging markets, and proactively seek a self-transformation path to a green and low-carbon style, as it is believed that we will eventually embrace a more sustainable and net zero future.

RESEARCH AND DEVELOPMENT ("R&D") AND MANUFACTURING

It has been three years since the Group emphasized the "technology-driven" development strategy in early 2020. During the period, the Group has been constantly promoting the development and improvement of the Group's technological capabilities, cultivating a number of technological brands and forming a series of new technological solutions by various means such as R&D, introduction and integration of technology resources. Under the context of poor pricing of traditional oil-field service and declining profits among companies in the same industry, new technologies contributed to increasing portion of the profits generated from the Group's operation. It became the key strategy of the Group to stabilize growth and promote efficiency and played an irreplaceable role in achieving the Group's operating results.

In terms of oil reservoirs, the application of nanotechnology and materials is at the forefront of oilfield recovery technology today. The Group's efforts in continuous tracking and absorbing advanced technological achievements in this field with a global approach enabled it to achieve breakthrough development in 2022 by developing and forming a series of nano-oil-field chemicals with HYBEOR® as its own brand. On this basis, the Group have successfully developed high-performance oilfield enhanced oil recovery solutions such as HYSPRINGTM, which have been successfully applied to the old post-third recovery wells of CNOOC Bohai Oilfield, as well as the production enhancement of heavy oil in Xinjiang Oilfield and an oil field in Africa. All the measures have resulted in a significant increase in the Group's production and a promising market prospect, which may become a new growth point for the Group's profit and output value in recent years. In addition, the success of non-oxidation environmental protection unplugging technology which was put into trial in 2021, solved the difficult problem of failure in injection and production in enhanced oil recovery. In 2022, it has also expanded its application in Dagang Oilfield and CNOOC Bohai Oilfield, and will continue to expand the application area. The ultra-high pressure 140MPa pressure-volume-temperature (PVT) sampler has been developed and trialed and is scheduled to be commercialized in February 2023. This technology has filled the gap in China and will bring a relatively stable market share to the Group in high-pressure oil and gas fields such as Tarim.

In terms of well workover, a good development situation has now been formed for fishing tools (one batch is being put into use, one batch is being reserved and one batch is being researched and developed). In terms of well workover and fishing technical services, the Group continued to lead the domestic slim hole complex fishing business and open-hole dredging of ultra-long horizontal wells in Tarim Oilfield, Shunbei Oilfield and Southwest Oil and Gas Field, and set a new record for the operating depth of 8,390.26m. The Group entered the African market for the first time in 2022 and will enter the Indonesian market in 2023, forming a new growth point for its international business. In the case of treatment for damaged well casings (damaged casing treatment) for shale gas block, the Group has completed the development and demonstration of comprehensive solutions for damaged casing treatment, which has been highly recognized by customers and is expected to be commercially available in the first half of 2023 in Sichuan area. Such technology targets a large number of shale gas wells with broad market, which will become a new growth point for the Group's workover business. The chemical plugging technology for casing wells lost circulation, as a supporting tool for the above damaged casing treatment, has been successfully applied in Changning and other oilfields for multiple wells, which solved the pressure problem of continued fracturing after plugging. In 2023, such technology will continue to be applied to various oil fields such as Dagang Oilfield, and reliable supporting will also be provided for damaged casing treatment.

In terms of well completion, the breakthrough in manufacturing capacity of high-end well completion tools of ENECAL ("**Enecal PTE. Limited**"), one of the Group's subsidiaries, and the large-scale application of well completion tools, are a highlight of the well completion segment in 2022. First of all, the ultra-high pressure 25,000 PSI downhole safety valve, after several years of independent research and development, trial production, testing and trial, has been mass-produced, and the products have been shipped after bulk orders obtained through bidding. In addition, the scale of manufacturing and application of conventional well completion tools has been fully upgraded. Such tools, combined with the well completion service of the Company, have been applied to oil fields in Southeast Asia, Central Asia, the Middle East and other regions. It is worth pointing out that in 2022, the Group won a three-year well completion tool and service contract for an offshore oilfield of Indonesia's national oil company through bidding against a number of world-class suppliers, marking that the Group has become an integrated solution provider in well completion tool research and development, manufacturing and technical service. These landmark developments will bring breakthrough development to SPT's well completion business.

In terms of fracturing and production increase, the Group kept integrating the secondary stimulation technology for old shale gas wells, and continued to expand the scope of application. The oilfield chemical products such as microbial nano fracturing fluid and neutral solid acid have been evaluated in Party A's laboratory with superior performance indicators. Pilot experiments will be carried out in 2023 and are able to be fully promoted when experiments succeed.

In addition to the above, cutting-edge technologies for enhanced oilfield recovery with HYBEOR® nanotechnology as a symbol, plus well completion business update marked by the upgrading of completion tool manufacturing, both made the highlights in the Group's R&D and manufacturing in 2022 and has formed a model of technology-driven business growth with R&D as the starting point. The development of other technologies has also shown a stepwise development, with the R&D and the market having mutual promotion momentum. The market is promising in the future.

HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2022, the major details of the human resources work in 2022 are as follows:

1. In terms of strategic manpower allocation, based on the Group's strategic needs, on the one hand, the talent layout should be prepared in advance, and at the same time, the talent structure should be optimized according to the business and operation development;

2. Continued to adopt a compound talent recruitment and promotion system to improve comprehensive manpower efficiency;

3. Continued to push ahead with performance-oriented management system;

4. Continued to leverage the advantages of the online learning platform for the Group's training system by "management sand table course" to effectively improve the management's overall thinking of "manage people and affairs"; by "workplace efficiency improvement training camp", "pandemic rehabilitation care course", "daily technical classes" and "high-quality new course express" and other courses to comprehensively carry out online and offline training and talent development projects. In 2022, the total participants of the Group's training sessions were 14,585, totaling 123,883 training hours cumulatively, which basically covered all business regions and project departments domestically and abroad.

5. Faced the international situation and the impact of the pandemic, the global business system for human resources shall be continue to be optimized to ensure the safety of employees.

6. As of 31 December 2022, the Group had a total of 4,331 employees, representing a decrease of 173 employees from 4,504 employees as at 31 December 2021. The actual labour costs of the Group in 2022 were controlled within the budget range set at the beginning of this year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, revenue of the Group was RMB1,757.2 million, representing a year-on-year increase of RMB168.4 million, or 10.6%, as compared with that of RMB1,588.8 million for the previous year. The increase was mainly due to the expansion of operating activities of the Group.

Other (losses)/gains, net

For the year ended 31 December 2022, other losses, net of the Group were RMB7.6 million, as compared with other gains, net of RMB4.9 million for the previous year. The change was mainly due to the fluctuations in foreign exchange rates.

Material costs

For the year ended 31 December 2022, material costs of the Group were RMB482.8 million, representing a year-on-year increase of RMB127.9 million, or 36.0%, as compared with that of RMB354.9 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Employee benefit expenses

For the year ended 31 December 2022, employee salary expenses of the Group were RMB591.9 million, representing a year-on-year increase of RMB54.9 million, or 10.2%, as compared with that of RMB537.0 million for the previous year. The increase was mainly due to the increase in staff costs resulting from expansion of the operating activities of the Group.

Short-term and low-value lease expenses

For the year ended 31 December 2022, short-term and low-value lease expenses of the Group were RMB113.6 million, representing a year-on-year increase of RMB19.5 million, or 20.7%, from RMB94.1 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Transportation costs

For the year ended 31 December 2022, transportation costs of the Group were RMB28.6 million, representing a year-on-year decrease of RMB13.9 million, or 32.7%, as compared with that of RMB42.5 million for the previous year. The decrease was mainly due to the decrease in transportation rates.

Depreciation and amortisation

For the year ended 31 December 2022, depreciation and amortisation of the Group was RMB74.1 million, representing a year-on-year decrease of RMB1.1 million, or 1.5%, as compared with that of RMB75.2 million for the previous year. The decrease was mainly due to certain fixed assets becoming fully depreciated.

Technical service expenses

For the year ended 31 December 2022, technical service expenses of the Group were RMB151.7 million, representing a year-on-year decrease of RMB75.0 million, or 33.1%, as compared with that of RMB226.7 million for the previous year. The decline was mainly due to the decrease in subcontracting business.

Impairment losses of assets

For the year ended 31 December 2022, impairment losses of assets of the Group were RMB33.0 million, while the impairment losses of assets of the Group were RMB20.4 million for the previous year, representing a year-on-year increase of RMB12.6 million or 61.8%. The increase in impairment losses of assets was mainly due to the Group's more cautious consideration on provision for bad debts.

Others

For the year ended 31 December 2022, other operating costs of the Group were RMB221.1 million, representing a year-on-year increase of RMB31.6 million or 16.7%, as compared with that of RMB189.5 million for the previous year. The increase was mainly due to the increase of travel expenses and office fees as a result of the gradual recovery of overseas business and increase of manpower.

Operating profit

Based on the above reasons, operating profit of the Group during the Period was RMB52.9 million, compared with the operating profit of RMB53.4 million for the previous year.

Finance costs, net

For the year ended 31 December 2022, finance costs, net of the Group were RMB37.4 million, representing a year-on-year decrease of RMB4.6 million, or 11%, as compared with that of RMB42.0 million for the previous year. The decrease was mainly due to the decrease in interest expenses as a result of the decreased financing efforts by the Group.

Income tax expense

For the year ended 31 December 2022, income tax expense was RMB8.8 million, compared with the income tax expense of RMB7.7 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Profit for the year

As a result of the explanations above, profit of the Group for the Reporting Year was RMB7.5 million, while profit for the previous year was RMB4.2 million. The increase was mainly due to the expansion of the operating activities of the Group.

Profit attributable to equity holders of the Company

For the year ended 31 December 2022, profit attributable to equity holders of the Company was RMB13.2 million, while profit attributable to equity holders of the Company for the previous year was RMB8.8 million.

Property, plant and equipment

As at 31 December 2022, the property, plant and equipment was RMB430.1 million, representing an increase of RMB27.6 million, or 6.9%, from RMB402.5 million as at 31 December 2021. The increase was mainly due to the purchase of new equipment to meet the needs of business during the Reporting Year.

Right-of-use assets

As at 31 December 2022, the carrying value of right-of-use assets amounted to RMB60.9 million, representing a decrease of RMB29.8 million, or 32.9%, from RMB90.7 million as at 31 December 2021. The decrease was mainly due to the amortisation of the right-of-use assets and the derecognition upon early termination of certain lease contracts on machinery and equipment.

Intangible assets

As at 31 December 2022, intangible assets were RMB15.9 million, representing a decrease of RMB1.5 million, or 8.6%, as compared with that of RMB17.4 million for the previous year. The decrease was mainly due to the amortisation in the current period.

Deferred income tax assets

As at 31 December 2022, deferred income tax assets were RMB115.3 million, representing a decrease of RMB1.4 million, or 1.2%, from RMB116.7 million as at 31 December 2021.

Prepayments and other receivables

As at 31 December 2022, non-current portion of prepayments and other receivables was RMB0.3 million, representing a decrease of RMB5.0 million, or 94.3%, from RMB5.3 million as at 31 December 2021. The decrease was mainly due to the recognition of the equipment purchased by the Group. Current portion of prepayments and other receivables was RMB208.6 million, representing a decrease of RMB5.4 million, or 2.5%, from RMB214.0 million as at 31 December 2021. The decrease was mainly due to the recovery of part of other receivables for disposal of equipment by the Group.

Inventories

As at 31 December 2022, inventories were RMB556.7 million, representing an increase of RMB49.4 million, or 9.7%, from RMB507.3 million as at 31 December 2021. The increase was mainly due to the expansion of the operating activities of the Group.

Contract assets, trade and note receivables/contract liabilities, trade and note payables

As at 31 December 2022, contract assets, trade and note receivables were RMB1,172.1 million, representing an increase of RMB142.8 million, or 13.9%, from RMB1,029.3 million as at 31 December 2021. The increase was mainly due to the increase in revenue during the Reporting Year. As at 31 December 2022, contract liabilities, trade and note payables amounted to RMB787.2 million, representing an increase of RMB69.1 million, or 9.6%, from RMB718.1 million as at 31 December 2021. The increase was mainly due to the expansion of the operating activities of the Group.

Liquidity and capital resources

As at 31 December 2022, cash and bank deposits of the Group, comprising cash and cash equivalents and restricted bank deposits, were RMB294.7 million, representing a decrease of RMB94.1 million, or 24.2%, from RMB388.8 million as at 31 December 2021. The decrease was mainly due to the expansion of the operating activities of the Group and the purchase of equipment and materials to meet business needs.

As at 31 December 2022, short-term borrowings and current portion of long-term borrowings of the Group were RMB499.5 million while the long-term borrowings were RMB43.0 million. As at 31 December 2021, short-term borrowings and current portion of long-term borrowings of the Group were RMB352.8 million while the longterm borrowings were RMB225.1 million. As at 31 December 2022, bank borrowings of the Group were mainly denominated in RMB and such borrowings were generally subject to a fixed interest rate.

As at 31 December 2022, current lease liabilities of the Group amounted to RMB11.4 million and non-current lease liabilities amounted to RMB16.6 million. As at 31 December 2021, current lease liabilities of the Group amounted to RMB28.2 million and non-current lease liabilities amounted to RMB35.8 million.

As at 31 December 2022, gearing ratio of the Group was 46.6%, representing a decrease of 6.6% as compared with 53.2% as at 31 December 2021. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2022, the total number of ordinary shares of the Company in issue was 1,853,775,999.0 shares (31 December 2021: 1,853,775,999.0 shares). As at 31 December 2022, equity attributable to the equity holders of the Company was RMB1,234.8 million, representing an increase of RMB41.3 million, or 3.5%, as compared with RMB1,193.5 million as at 31 December 2021.

Significant investment held

As at 31 December 2022, the Group did not hold any significant investment.

Acquisitions and disposals of subsidiaries and associates

During the Reporting Year, QUINTUS OIL & GAS PTE. LTD (as buyer), a subsidiary of the Group, entered into a purchase and sales agreement with SLAMET HARTANTO (as vendor) to acquire 95% equity interest in PT CIPTA NIAGA GEMILANG ("**CNG**") at a cash consideration of IDR29,428,800,000. Pursuant to the agreement, the acquisition of CNG was completed in September 2022 and CNG became a subsidiary of the Group, and its financial results are consolidated into the financial statements of the Group accordingly.

Save for the aforementioned investments, the Company had no other significant investments, nor had any material acquisitions and disposals of subsidiaries and associates.

Assets pledged to secure bank borrowings

As at 31 December 2022, the Group pledged parts of its right-of-use assets and trade and note receivables to secure the bank borrowings of the Group. The carrying values of assets pledged are as follows:

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Right-of-use assets	**3,509**	3,873
Trade and note receivables	**146,760**	461,500

Assets pledged to secure the loans from a third party institution

Loans from a third party financial institution of the Group are expiring from 2022 to 2023 and are secured by certain machinery with a carrying amount of RMB160,255,000 (2021: RMB93,051,000), and guaranteed by one subsidiary of the Group.

Foreign exchange risk

Fluctuations in exchange rates of USD have exposed the Group to foreign currency exchange risk. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales to and purchases from overseas are denominated in USD. On average, the exchange rate of USD against RMB increased by 4.3% in 2022 as compared with last year, but such movement did not have a significant impact on the overall business of the Group. However, as a result of the impact of exchange rate changes above, the Group reflected a translation gain of RMB29.5 million in other comprehensive income.

Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 31 December 2022, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 31 December 2022, the Group had capital expenditure commitments of RMB112.9 million, while operating leases were mainly lease of offices, warehouses and equipment and amounted to RMB37.1 million.

SUBSEQUENT EVENT

The Group has no significant subsequent events occurred after 31 December 2022.

OUR PLANS

In 2023, with the optimization of global epidemic prevention and control measures, the outlook for oil demand will be much brighter. In response to the tight energy supply and acceleration of economic recovery process, it is imperative for countries around the world to accelerate green and low-carbon development. In order to adapt to new trends, face new opportunities and cope with new challenges, the Group will actively adjust its direction, change its ideas and continue to focus its efforts on the following areas in 2023:

1. The Group will seize the profound reform in the global energy market, the continuous advancement of energy transformation and the national call for the planning and construction of a system for new energy source, the enhancement of the resource production and support capacities to ensure that energy supply remains firmly in its own hands. Customers' demand for promoting the development of highend, intelligent and low-carbon industry chain will be focused by expanding overseas markets, exploring emerging markets and laying out strategic markets, based on the development of domestic market. While continuing to carry out technological innovation on traditional business to achieve emission reduction and decarbonization, the Group will promote the strategic transformation of the Group's business and expand into new areas in energy with its own advantages as a breakthrough, and to develop extensive cooperation to promote new energy business as the new growth engine of the Group as soon as possible.

2. The Group will continue to adhere to the long-term strategy of "technology leading the development of enterprises and innovation driving the bright future". Technological innovation is a momentum for development, while quality and efficiency improvement is fuel for development. The Group will continue to utilize cutting-edge and advanced technical solutions to satisfy customers' increasing service and emission reduction requirements by empowering sustainable development with technological innovation. The Group will attach great importance to individual technological innovation and the improvement of capability to provide oil and gas companies with full business process of centralized, integrated and comprehensive energy technology service solutions in the process of energy transformation. The Group will continue to promote the participation in projects and technologies to effectively enhance market competitiveness, thereby enhancing the market position of the Group.

3. The Group will continue to innovate corporate management ideology, to develop accurate self-development direction for improving the level of management, the business layout, and the ability to resist risks. The Group will continue to actively implement refined management, promote project management, integrate resources to increase quality and efficiency while reducing expenditure and costs, thereby improving profitability. By strengthening the coordination of production organization, the Group carried out the practice of management and business model innovation to enhance core competitiveness and strengthen personalized development. Through the establishment of a comprehensive risk management and control mechanism and a cost management and control system, the Group will ensure the safety level of cash flow, enhance the flexibility of operation and the ability to resist risks.

4. The Group will continuously forge an echelon of exceptionals comprising high-end technical talents as well as various market talents, with an aim to build a team of talents with high comprehensive quality, extreme professional level and ability to operate international projects. Relying on major technology projects, the Group accelerates the cultivation of innovative teams and leading talents. The Group will continue to recommend outstanding technical innovation talents as project leaders to stimulate the innovation vitality of technical personnel; continue to promote the construction of performance management system, create a platform with transparency and fairness, continue to care for the health of employees, inspire employees' enthusiasm, display their capabilities and realize self-worth.

5. The Group will continue to establish a long-term ESG management mechanism to integrate ESG into corporate decision-making and operations. The Group will build a sound internal and external environment for the development of the Group by enhancing its corporate governance capabilities, information disclosure capabilities and social communication capabilities, while fulfilling its social responsibilities for green and low-carbon development.

FINAL DIVIDEND

The Board did not propose a final dividend for the year ended 31 December 2022 (2021: nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting to be held on 8 June 2023, the register of members of the Company will be closed from 5 June 2023 to 8 June 2023 (both dates inclusive). All transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 2 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of conduct regarding Directors' securities transactions.

Having made a specific enquiry to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as its own code of corporate governance.

The Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

Save as otherwise disclosed in this announcement, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2022 of the Group with the auditor of the Company.

PUBLICATION

The annual results announcement for the year ended 31 December 2022 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sptenergygroup.com) respectively. The 2022 annual report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
SPT Energy Group Inc.
Mr. Wang Guoqiang
Chairman

The PRC, 23 March 2023

As of the date of this announcement, the executive Directors are Mr. Wang Guoqiang, Mr. Ethan Wu and Mr. Li Qiang; the non-executive Directors are Mr. Wu Jiwei and Ms. Chen Chunhua; and the independent non-executive Directors are Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Ma Xiaohu.

* *For identification purpose only*