ANTON 安東

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Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- The Group's consolidated revenue increased by 20.2%, from RMB2,923.6 million in 2021 to RMB3,514.9 million in 2022.
- Profit attributable to the equity holders of the Company increased substantially, by 306.9% from RMB72.2 million in 2021 to RMB293.8 million in 2022.
- The Company's net operating cash inflow increased 29.4%, from RMB757.2 million in 2021 to RMB980.0 million in 2022.

RESULTS

The Board of Directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**") wishes to announce the audited consolidated annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2022 (hereinafter referred to as the "**2022**", or the "**Reporting Period**") and the comparable figures for the same period of 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	**Year ended 31 December 2022**	2021
Revenue			
Goods and services	*5*	**3,310,509**	2,758,541
Rental	*5*	**204,403**	165,025
Total revenue	*5*	**3,514,912**	2,923,566
Cost of sales	*6*	**(2,515,103)**	(2,021,306)
Gross profit		**999,809**	902,260
Other gains, net		**153,114**	24,919
Impairment losses under expected credit loss model, net of reversal		**43,500**	(45,891)
Selling expenses	*6*	**(173,324)**	(140,673)
Administrative expenses	*6*	**(263,983)**	(228,711)
Research and development expenses	*6*	**(80,277)**	(70,766)
Sales tax and surcharges		**(13,688)**	(11,659)
Operating profit		**665,151**	429,479
Interest income	*7*	**17,957**	6,205
Finance expenses	*7*	**(269,250)**	(258,375)
Finance costs, net	*7*	**(251,293)**	(252,170)
Share of loss of a joint venture		**(307)**	(1,243)
Share of profit of associates		**6,951**	18
Profit before income tax		**420,502**	176,084
Income tax expense	*8*	**(122,911)**	(100,734)
Profit for the year		**297,591**	75,350
Profit attributable to:			
Owners of the Company		**293,810**	72,218
Non-controlling interests		**3,781**	3,132
		297,591	75,350
Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
– Basic	*9*	**0.1013**	0.0249
– Diluted	*9*	**0.0990**	0.0246

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

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

	Year ended 31 December	
	2022	2021
Profit for the year	**297,591**	75,350
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**(182,165)**	36,633
Financial instruments measured at fair value through other comprehensive income	**4,898**	1,569
Currency translation differences	**338,238**	(57,555)
Other comprehensive income/(expense) for the year, net of tax	**160,971**	(19,353)
Total comprehensive income for the year	**458,562**	55,997
Total comprehensive income attributable to:		
– Owners of the Company	**454,781**	52,865
– Non-controlling interests	**3,781**	3,132
	458,562	55,997

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Note	**2022**	2021
ASSETS			
Non-current assets			
Property, plant and equipment		**1,970,846**	1,997,604
Right-of-use assets		**134,089**	103,469
Investment properties		**5,294**	–
Goodwill		**253,630**	242,004
Intangible assets		**317,615**	285,479
Interest in a joint venture		**2,399**	2,706
Interests in associates		**27,642**	4,018
Financial assets at fair value through profit or loss		**30,000**	–
Prepayments and other receivables		**118,559**	55,017
Deferred income tax assets		**20,851**	19,140
		2,880,925	2,709,437
Current assets			
Inventories		**933,832**	944,959
Trade and notes receivables	*10*	**2,034,610**	2,096,280
Contract assets		**22,486**	20,699
Prepayments and other receivables		**905,041**	789,912
Restricted bank deposits		**477,997**	414,892
Cash and cash equivalents		**727,904**	1,173,186
		5,101,870	5,439,928
Total assets		**7,982,795**	8,149,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Note	**2022**	2021
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**276,274**	276,274
Reserves		**2,805,200**	2,411,146
		3,081,474	2,687,420
Non-controlling interests		**219,335**	140,741
Total equity		**3,300,809**	2,828,161
LIABILITIES			
Non-current liabilities			
Long-term bonds		**801,835**	929,984
Long-term borrowings		**47,113**	48,152
Lease liabilities		**28,499**	8,236
Deferred income tax liabilities		**13,586**	9,748
		891,033	996,120
Current liabilities			
Short-term borrowings		**1,139,732**	718,125
Current portion of long-term bonds		**30,771**	1,164,144
Current portion of long-term borrowings		**48,617**	83,195
Trade and notes payables	*11*	**1,449,092**	1,525,467
Accruals and other payables		**861,665**	599,158
Lease liabilities		**20,515**	24,426
Contract liabilities		**17,241**	33,400
Current income tax liabilities		**223,320**	177,169
		3,790,953	4,325,084
Total liabilities		**4,681,986**	5,321,204
Total equity and liabilities		**7,982,795**	8,149,365

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Year ended 31 December	
	2022	2021
Cash flows from operating activities		
Net cash inflows from operations	**1,052,614**	811,752
Interest received	**5,705**	6,205
Income tax paid	**(78,362)**	(60,712)
Net cash generated from operating activities	**979,957**	757,245
Cash flows from investing activities		
Purchase of property, plant and equipment	**(164,487)**	(178,307)
Proceeds from disposal of property, plant and equipment	**1,688**	7,420
Purchase of intangible assets	**(65,478)**	(48,350)
Proceeds from disposal of an associate	**2,017**	–
Investment in an associate	**(18,690)**	(2,000)
Net cash paid for acquisition of a subsidiary	**(20,438)**	–
Purchases of financial assets at fair value through profit or loss	**(30,000)**	–
Cash paid relating to other investing activities	**(47,710)**	–
Net cash used in investing activities	**(343,098)**	(221,237)
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,287,000**	1,005,304
Repayments of short-term borrowings	**(867,050)**	(1,047,050)
Proceeds from long-term borrowings	**48,000**	–
Repayments of long-term borrowings	**(83,500)**	(163,426)
Proceeds from long-term bonds	**–**	536,167
Repayments of long-term bonds	**(590,853)**	–
Repurchase of long-term bonds	**(754,554)**	(339,535)
Repayments of lease liabilities	**(35,338)**	(40,170)
Interest paid	**(210,889)**	(177,470)
Cash paid to non-controlling interests for additional equity interest in a subsidiary	**(11,245)**	–
Proceeds from disposal of interests in a subsidiary without loss of control	**155,280**	–
Proceeds from share options exercised	**–**	6
Repurchase of ordinary shares	**(11,207)**	(19,438)
Placement of restricted bank deposits	**(51,825)**	–
Cash received relating to other financing activities	**–**	13,500
Net cash used in financing activities	**(1,126,181)**	(232,112)
Net (decrease)/increase in cash and cash equivalents	**(489,322)**	303,896
Cash and cash equivalents at beginning of the year	**1,173,186**	879,085
Exchange gain/(loss) on cash and cash equivalents	**44,040**	(9,795)
Cash and cash equivalents at end of the year	**727,904**	1,173,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendment to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendment to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendment to IFRS Standards	*Annual Improvements to IFRS Standards 2018-2020*

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.

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.

4. 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.

The CODM assess performance of four reportable segments: "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, including 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. 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.

	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**	**Total**
For the year ended 31 December 2022					
Revenue	**1,594,511**	**1,143,616**	**455,300**	**321,485**	**3,514,912**
EBITDA	**471,093**	**440,641**	**145,953**	**117,356**	**1,175,043**
Depreciation and amortisation	**(264,155)**	**(9,094)**	**(59,832)**	**(11,201)**	**(344,282)**
Asset impairment provision of					
– Inventories	**(11,303)**	**(592)**	**(1,247)**	**–**	**(13,142)**
– Trade receivables, net of reversal	**58,080**	**(6,544)**	**(1,070)**	**(1,518)**	**48,948**
– Other receivables	**(4,388)**	**(18)**	**(1,042)**	**–**	**(5,448)**
Interest income	**698**	**1,269**	**161**	**1,221**	**3,349**
Finance expenses	**(18,714)**	**(8,123)**	**(5,407)**	**(2,252)**	**(34,496)**
Share of loss of a joint venture	**(307)**	**–**	**–**	**–**	**(307)**
Share of profit of associates	**6,951**	**–**	**–**	**–**	**6,951**
Income tax expense	**(27,104)**	**(69,929)**	**(12,384)**	**(13,494)**	**(122,911)**
Segment results	**210,851**	**347,610**	**65,132**	**90,112**	**713,705**
Unallocated corporate overheads					**(416,114)**
Profit for the year					**297,591**
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

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
As at 31 December 2022					
Segment assets	**4,043,231**	**903,170**	**877,498**	**336,569**	**6,160,468**
Segment assets include:					
Capital expenditures incurred in the year	**229,211**	**17,879**	**34,532**	**28,277**	**309,899**
As at 31 December 2021					
Segment assets	3,977,983	867,121	811,823	339,897	5,996,824
Segment assets include:					
Capital expenditures incurred in the year	188,128	14,372	39,333	10,817	252,650

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	
	2022	2021
Assets for reportable segments	**6,160,468**	5,996,824
Corporate assets for general management	**1,822,327**	2,152,541
Total assets	**7,982,795**	8,149,365

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	
	2022	2021	**2022**	2021
PRC	**1,493,655**	1,468,002	**1,881,273**	1,788,601
Republic of Iraq ("Iraq")	**1,536,034**	1,038,000	**694,806**	717,840
Other countries	**485,223**	417,564	**206,285**	183,856
Total	**3,514,912**	2,923,566	**2,782,364**	2,690,297

Note:

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

Client information

For the year ended 31 December 2022, revenues of approximately RMB2,226,782,000 (2021: RMB1,537,167,000) were derived from two external customers, which contributed 45.98% and 17.37% (2021: 34.52% and 18.06%) to the total revenue respectively. These revenues were mainly attributable to oilfield technical services and oilfield management services segments (2021: oilfield technical services and oilfield management services segments).

5. REVENUE

	Year ended 31 December	
	2022	2021
Sales of goods	**295,281**	86,750
Provision of services	**3,015,228**	2,671,791
	3,310,509	2,758,541
Rental	**204,403**	165,025
	3,514,912	2,923,566

(i) Disaggregation of revenue

	For the year ended 31 December 2022			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Types of goods or service				
Sales of goods	**295,281**	**–**	**–**	**–**
Provision of services	**1,094,827**	**1,143,616**	**455,300**	**321,485**
Total	**1,390,108**	**1,143,616**	**455,300**	**321,485**
Geographical markets				
PRC	**694,157**	**3,316**	**309,025**	**282,754**
Iraq	**428,457**	**953,460**	**130,739**	**23,378**
Other countries	**267,494**	**186,840**	**15,536**	**15,353**
Total	**1,390,108**	**1,143,616**	**455,300**	**321,485**
Timing of revenue recognition				
A point in time	**1,390,108**	**–**	**455,300**	**321,485**
Over time	**–**	**1,143,616**	**–**	**–**
Total	**1,390,108**	**1,143,616**	**455,300**	**321,485**

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

	For the year ended 31 December 2022			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Revenue disclosed in segment information				
External customers *(Note 4)*	**1,594,511**	**1,143,616**	**455,300**	**321,485**
Rental income	**(204,403)**	**–**	**–**	**–**
Revenue from contracts with customers	**1,390,108**	**1,143,616**	**455,300**	**321,485**

	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

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 4)*	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

(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.

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.

(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 2022 and the expected timing of recognising revenue are as follows:

	PRC	**Iraq**	**Other countries**
Within one year	**1,902,679**	**1,163,001**	**205,887**
More than one year but not more than two years	**511,769**	**540,818**	**86,397**
More than two years	**–**	**341,804**	**31,077**
	2,414,448	**2,045,623**	**323,361**

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

(iv) Leases

	Year ended 31 December 2022	Year ended 31 December 2021
For operating leases:		
Lease payments that are fixed	**204,403**	165,025
Total revenue arising from leases	**204,403**	165,025

6. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December 2022	2021
Materials and services purchased	**1,316,115**	868,561
Staff costs	**797,149**	714,557
In which:		
– Salaries and other staff expenses	**773,079**	686,682
– Share-based compensation	**24,070**	27,875
Depreciation	**332,355**	330,488
In which:		
– Property, plant and equipment	**300,482**	291,112
– Right-of-use assets	**31,618**	39,376
– Investment properties	**255**	–
Less: Capitalised in inventories	**(24,032)**	(21,827)
	308,323	308,661
Amortisation	**46,712**	47,894
Less: Capitalised in inventories	**(3,950)**	(3,587)
	42,762	44,307
In which:		
– Cost of sales	**33,922**	37,535
– Administrative expenses	**507**	390
– Selling expenses	**18**	17
– Research and development expenses	**8,315**	6,365
Auditor's remuneration		
– Audit and related services	**6,200**	4,800
– Other services	**170**	300
Other operating expenses	**561,968**	520,270
In which:		
– Impairment of inventories	**13,142**	24,287

7. FINANCE COSTS, NET

	Year ended 31 December	
	2022	2021
Interest expenses		
– on bank borrowings	**(54,989)**	(54,328)
– on bonds	**(166,165)**	(177,846)
– on lease liabilities	**(2,941)**	(4,065)
Exchange (loss)/gain, net	**(6,659)**	3,573
Others	**(38,496)**	(25,709)
Finance expenses	**(269,250)**	(258,375)
Interest income	**17,957**	6,205
	(251,293)	(252,170)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
Current income tax		
– PRC enterprise income tax	**11,240**	23,860
– Iraq corporate income tax	**105,485**	67,638
– Others	**7,788**	6,633
Deferred income tax	**(1,602)**	2,603
	122,911	100,734

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 2022 (2021: 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.

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	
	2022	2021
Profit before income tax	**420,502**	176,084
Tax calculated at applicable tax rates	**136,281**	70,345
Income not subject to taxation	**(1,982)**	(724)
Expenses not deductible for taxation purposes	**1,544**	2,555
Additional deduction of research and development expense	**(6,210)**	(5,615)
Tax losses and deductible temporary difference for which no deferred income tax was recognised	**20,869**	31,198
Utilisation of unused deductible tax losses previously not recognised as deferred income tax	**(11,124)**	(5,890)
Reversal of the deferred tax assets from prior years	**–**	6,600
Effect of share of loss of a joint venture	**46**	186
Effect of share of profit of associates	**(1,738)**	(3)
(Over)/under provision in respect of prior year and others	**(14,775)**	2,082
	122,911	100,734

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the 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 the owners of the Company	**293,810**	72,218
Weighted average number of ordinary shares in issue (thousands of shares) *(Note)*	**2,901,580**	2,902,002
Basic earnings per share (expressed in RMB per share)	**0.1013**	0.0249

Note:

The effect of treasury shares has been included in the calculation of weighted average number of ordinary shares in issue.

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. For the year ended 31 December 2022, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings 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 years ended 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to the owners of the Company	**293,810**	72,218
Weighted average number of ordinary shares in issue (thousands of shares)	**2,901,580**	2,902,002
Adjustments for the effect of restricted share award scheme (thousands of shares)	**64,795**	36,475
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	**2,966,375**	2,938,477
Diluted earnings per share (expressed in RMB per share)	**0.0990**	0.0246

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022	2021
Trade receivables, net *(a)*		
– contracts with customers	**1,851,369**	1,916,216
– lease receivables	**51,151**	42,934
	1,902,520	1,959,150
Notes receivable *(e)*	**132,090**	137,130
	2,034,610	2,096,280

Notes:

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

	As at 31 December	
	2022	2021
1 – 6 months	**1,248,600**	981,349
6 months – 1 year	**292,400**	374,286
1 – 2 years	**151,785**	304,689
2 – 3 years	**80,625**	149,209
Over 3 years	**129,110**	149,617
	1,902,520	1,959,150

(b) Most of the Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB256,217,000 (31 December 2021: RMB377,284,000) 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 2022, trade receivables of RMB318,764,000 (31 December 2021: RMB222,786,000) were pledged as security for short-term borrowings of RMB318,764,000 (31 December 2021: RMB212,288,000).

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

	2022	2021
As at 1 January	**(314,381)**	(268,490)
Addition	**(37,508)**	(45,891)
Reversal	**86,456**	–
As at 31 December	**(265,433)**	(314,381)

In 2022, there were reversal of RMB51,476,000 and RMB34,980,000 based on the latest development with two credit impaired trade debtors.

(e) As at 31 December 2022, total notes received amounting to RMB132,090,000 (31 December 2021: RMB137,130,000) 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	
	2022	2021
RMB	**961,957**	1,074,138
United States dollar ("US$")	**1,036,427**	999,924
Others	**36,226**	22,218
	2,034,610	2,096,280

11. TRADE AND NOTES PAYABLES

	As at 31 December	
	2022	2021
Trade payables	**585,517**	591,566
Notes payable	**863,575**	933,901
	1,449,092	1,525,467

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

	As at 31 December	
	2022	2021
Less than 1 year	**1,286,568**	1,360,747
1 – 2 years	**69,999**	61,602
2 – 3 years	**27,783**	54,011
Over 3 years	**64,742**	49,107
	1,449,092	1,525,467

Trade and notes payables were denominated in the following currencies:

	As at 31 December	
	2022	2021
RMB	**1,340,763**	1,432,588
US$	**93,917**	73,490
Others	**14,412**	19,389
	1,449,092	1,525,467

12. DIVIDENDS

No dividend was declared or paid for ordinary shareholders of the Company during 2022 (2021: Nil).

The Directors have determined that no dividend will be proposed in respect of the current year (Year ended 31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During 2022, the global oil and gas supply landscape shifted dramatically as a consequence of the Russia-Ukraine conflict. While countries around the world gradually emerged from the challenges of the pandemic and the demand for oil and gas recovered, supply-side risk intensified. In this context, countries in the Middle East and emerging economies increased their capital expenditure and moved full steam ahead with capacity expansion to fill the supply shortfall, resulting in strong demand for oil and gas development. Concurrently, in the second half of 2022, the Chinese market came under the greatest COVID prevention pressures since the breakout of the pandemic. With the highly-infectious Omicron variant flaring up across many parts of the country, stringent epidemic control measures were implemented across China, starting in the third quarter. The Group's business activities in Xinjiang, Sichuan, and Erdos were most significantly dampened within 3 years since the breakout of the epidemic.

Amid both opportunities and tremendous challenges in the market, the Group has upheld its corporate culture of dedication and diligence across the organization, leveraged its comparative advantages, united minds and inspired ambitious efforts to successfully explore new overseas markets, fully expanded its asset-light business, and conducted business innovation. In terms of management, the Group continued to focus on cash flow and return on assets as the key performance indicators, strictly manage projects from start to finish, adopt tight cost control, and accelerate capital turnover. Through its platformization strategy and strategic partnerships with high-quality suppliers, the Group was able to ride the wave of inflation. Additionally, the Group continued to drive management changes and improvements to enhance operational and managerial efficiency. During 2022, the Group successfully crossed the cycle, and achieved new business milestones and growth in revenue, profit, and cash flow across the board. Notwithstanding the severe impact of COVID restrictions on the domestic business in the second half of 2022, the Group achieved a growth of approximately 306.9% in its profit attributable to the equity holders, and an increase in net operating cash inflow of approximately RMB222.8 million.

At the same time, the Group made encouraging progress on capital structure improvement. In 2022, despite the significant constraints from COVID restrictions on its business in the domestic market, the Group intensified efforts of recovering accounts receivables and repaid, in full, the USD bonds due at the end of 2022 with its own cash, resulting in a significant reduction in the Group's gearing ratio from 61.4% at the end of 2021 to 51.9% at the end of 2022. The Group also made meaningful progress on its asset securitization program in 2022. The Group is now facilitating the spin-off of T-ALL Inspection Group Company Limited ("T-ALL Inspection"), an inspection service subsidiary of the Group, for separate listing in the capital market of Mainland China. The proposed spin-off was formally registered with the Xinjiang office of the China Securities Regulatory Commission on 29 August 2022 for pre-listing tutoring. In order to improve the governance structure of T-ALL Inspection and further strengthen its organic business development, as at the date of this announcement, the project had brought in seven strategic investors (mostly state-owned enterprises), attracted a cumulative capital injection of RMB252.8 million, with the placement of 18.69% of T-ALL Inspection's shares. The strategic investors will jointly promote the spin-off project with the Company and maximize their business synergies with T-ALL Inspection to promote the spinoff's success. Upon completion of the proposed spin-off, the Group will enjoy substantially increased equity and reduced liabilities for a more robust capital structure.

In terms of environmental, social, and governance (ESG) considerations, the Group has been working towards its vision of becoming "a model for the efficient and harmonious development of humanity and the environment", and officially unveiled its decarbonization targets of "achieving 60% reduction in GHG emissions per unit of revenue by 2030 compared with the base year (2019) and carbon neutrality by 2060" in its Sustainability Report released in May 2022. Guided by these targets, the Group mobilized its employees to adopt innovative decarbonization technologies and measures in 2022, achieving a continuous reduction in carbon emissions per revenue. At the same time, the Group continued to strengthen its corporate governance, actively fulfill its social responsibilities, and contribute to global sustainable development.

Performance Results

For 2022, the Group's revenue totaled RMB3,514.9 million, representing an increase of RMB591.3 million, or 20.2%, from RMB2,923.6 million in 2021. The Group's operating profit stood at RMB665.2 million, an increase of RMB235.7 million, or 54.9%, from RMB429.5 million in 2021. Net profit was RMB297.6 million, a substantial increase of 294.7% from RMB75.4 million in the same period of 2021. Profits attributable to equity holders of the Company was RMB293.8 million, representing an increase of RMB221.6 million, or 306.9%, from RMB72.2 million in the corresponding period in 2021. The net profit margin attributable to equity holders of the Company was 8.4%.

As at 31 December 2022, the Group's accounts receivable balance was approximately RMB2,034.6 million, and the average accounts receivable turnover was 198 days, representing a decrease of 37 days as compared to 2021; the average inventory turnover was 96 days, representing a decrease of 19 days as compared to 2021; the average account payables turnover was 84 days, representing a decrease of 21 days as compared to 2021. Net operating cash flow was RMB980.0 million, a significant increase of RMB222.8 million from RMB757.2 million in 2021.

Geographical Market Analysis

In 2022, the Group's revenue from overseas markets amounted to RMB2,021.2 million, representing an increase of RMB565.6 million, or 38.9%, from RMB1,455.6 million in the corresponding period in 2021, and its share of the Group's total revenue was 57.5%. In breakdown, revenue from Iraq was RMB1,536.0 million, an increase of RMB498.0 million, or 48.0%, from RMB1,038.0 million in the corresponding period in 2021 and accounted for 43.7% of the Group's total revenue. Revenue from other overseas markets was RMB485.2 million, representing an increase of RMB67.6 million, or 16.2%, from RMB417.6 million in the corresponding period in 2021 and accounting for 13.8% of the Group's total revenue. Revenue from Chinese market was RMB1,493.7 million, representing an increase of RMB25.7 million, or 1.8%, from RMB1,468.0 million for the corresponding period of 2021 and accounting for 42.5% of the Group's total revenue.

Breakdown of Revenue by Market

	Twelve months ended 31 December			% of the Group's total revenue Twelve months ended 31 December	
	2022	2021	Change	**2022**	2021
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Overseas	**2,021.2**	1,455.6	38.9%	**57.5%**	49.8%
Domestic	**1,493.7**	1,468.0	1.8%	**42.5%**	50.2%
Total	**3,514.9**	2,923.6	20.2%	**100.0%**	100.0%

Overseas Markets

	Twelve months ended 31 December			% of the Group's total revenue Twelve months ended 31 December	
	2022	2021	Change	**2022**	2021
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Iraq	**1,536.0**	1,038.0	48.0%	**43.7%**	35.5%
Other overseas	**485.2**	417.6	16.2%	**13.8%**	14.3%
Total	**2,021.2**	1,455.6	38.9%	**57.5%**	49.8%

Overseas Markets

Iraq

In 2022, countries around the world gradually emerged from the impact of the pandemic, and demand for oil and gas recovered. However, years of under-investment by oil companies led to tight oil and gas supply, and the Ukraine-Russia conflict further aggravated supply-side uncertainties. Under such environment, oil and gas development in the Middle East accelerated, and the Group's business in Iraq recovered rapidly. With this market recovery, a large number of market opportunities emerged. The Group made great efforts to secure orders for high-quality projects, such as oilfield management, oilfield operation and maintenance, inspection, and production stimulation technical services. In terms of project execution, the Group's integrated large-scale oilfield management project in southern Iraq maintained smooth and efficient operations during the Reporting Period. The drilling rig that previously suspended operation due to COVID restrictions resumed service at the end of May; with this, all the Group's projects in Iraq that were previously delayed due to COVID have resumed full production, and the Group achieved substantial revenue growth in Iraq for 2022.

In 2022, the Group won new orders of approximately RMB1,395.3 million in total in Iraq. The Group renewed the jumbo contract of integrated management services for the Majnoon oilfield in 2021, which significantly increased the comparable total order book; therefore, in pure year-over-year terms, new orders in the Iraqi market in 2022 decreased by 39.1% compared to the same period last year, but in terms of market dynamics, the Iraqi market showed a great momentum of significantly outperforming 2021. In 2022, the Iraqi market recorded revenue of approximately RMB1,536.0 million, up approximately 48.0% from RMB1,038.0 million in the same period last year.

Other Overseas Markets – Global Emerging Markets

During 2022, oil and gas development activities remained buoyant in global emerging markets. Leveraging the differentiated international competitive advantages built up over the years, the Group actively explored business opportunities in new markets and successfully entered the Indonesian market and the new market in Algeria, securing orders for asset-light, high-quality projects. The Group's integrated oilfield development and management project in Chad was successfully renewed during the year and maintained smooth and efficient operation during the Reporting Period. The Group's projects in Central Asia and Africa maintained smooth operation during the year.

In 2022, the Group's new orders in other overseas markets reached a total value of RMB592.2 million, representing an increase of 21.7% compared to 2021. In 2022, the Group recorded revenue of approximately RMB485.2 million from other overseas markets, up approximately 16.2% from RMB417.6 million in 2021.

Domestic Market

In 2022, Chinese National Oil Companies actively implemented the national strategy of energy security and made every effort to secure the supply of oil and gas resources and increase reserves and production. Major oil and gas producing areas intensified investments in exploration and development. With a relentless focus on an asset-light strategy, the Group provided precision engineering services with reservoir geological study at the core in the domestic market and launched the customized technical general solution services to help customers develop reservoir resources with greater precision and efficiency and to maximize resource utilization. Additionally, the Group continued to develop its business model. In the first half of 2022, the Group further expanded its business coverage. It undertook a customer's natural gas purification and transportation project for external transmission services in Sichuan. Additionally, as the domestic requirements on quality and safety improved, the Group has seen incremental demand for its inspection services and the rapid growth of this business. In the second half of 2022, with the highly infective Omicron variant affecting many parts of China, stringent epidemic control measures were introduced, and the Group's business activities in major domestic markets were severely affected. This resulted in projects facing daunting challenges in terms of project tendering, operations, and payment recovery. Under such circumstances, while strictly complying with the epidemic prevention policy, the Group fully invoked the spirit of diligence and dedication and maintained close engagement with its customers to ensure a safe operation of the projects in progress. At the same time, as the repayment date of its 2022 bonds drew near, the Group intensified efforts and achieved great results in recovering accounts receivable thanks to the support of its oilfield customers.

In 2022, the Group received new orders of approximately RMB2,532.9 million in China, representing an increase of approximately 13.7% from RMB2,228.6 million in the same period last year, and the order portfolio was further optimized in favor of asset-light project services. The Chinese market recorded revenue of approximately RMB1,493.7 million in 2022, up 1.8% from RMB1,468.0 million in the same period last year.

Business Cluster Analysis

During the Reporting Period, the Group's revenue from the inspection services cluster amounted to RMB321.5 million, representing an increase of approximately 17.5% over 2021 and accounting for 9.1% of the Group's total revenue in 2022. Revenue from the oilfield management services cluster amounted to RMB1,143.6 million, representing an increase of approximately 24.5% over 2021 and accounting for 32.5% of the Group's total revenue in 2022. Revenue from the oilfield technical services cluster amounted to RMB1,594.5 million, representing an increase of approximately 19.2% over 2021 and accounting for 45.4% of the Group's total revenue in 2022. Revenue from the drilling services cluster amounted to RMB455.3 million, representing an increase of approximately 15.7% over 2021 and accounting for 13.0% of the Group's total revenue in 2022.

Revenue Breakdown by Cluster

	Twelve months ended 31 December			**% of the Group's total revenue Twelve months ended 31 December**	
	2022	2021	Change	**2022**	2021
	(RMB Mn)	*(RMB Mn)*	*(%)*	***(%)***	*(%)*
Inspection services cluster	**321.5**	273.6	17.5%	**9.1%**	9.4%
Oilfield management services cluster	**1,143.6**	918.9	24.5%	**32.5%**	31.4%
Oilfield technical services cluster	**1,594.5**	1,337.5	19.2%	**45.4%**	45.7%
Drilling services cluster	**455.3**	393.6	15.7%	**13.0%**	13.5%
Total	**3,514.9**	2,923.6	20.2%	**100.0%**	100.0%

Inspection Services Cluster

This cluster was set up as one of the core businesses at the Group's starting up period. In recent years, it has become a focus of development with its asset-light business model. The Group's inspection business was operated under its subsidiary "T-ALL Inspection". Currently, the T-All Inspection Group has developed into the largest, full-license and full-service inspection services provider in the natural gas sector in China. It is an inspection company with its core vision of lifting the utilization efficiency of oil and gas equipment and facilities, decreasing energy and materials consumptions and achieving carbon neutrality. T-All Inspection has operated in major natural gas fields in China such as Tarim, Sichuan, and Erdos and has achieved initial success in expanding into overseas markets in the Middle East, Central Asia, and Africa along the Belt and Road.

The Inspection Services Cluster adopts the strategy of the "one core plus two emerging" businesses mix. The core "asset integrity management as the principal inspection technology service" consists of nondestructive testing, oil casing inspection, helium testing, pipeline inspection, and metrology inspection, among other technical services and covers the entire process of natural gas development, production, storage and transportation, and metrology. At the same time, the Group promoted the "two new" pillars of technical services – "decarbonization" and "intelligent inspection" – to carry out environmental testing around carbon peaking and carbon neutrality goals and to use next-generation technologies such as big data, AI, and internet of Things to develop intelligent inspection solutions that help customers reduce costs; secure assets; and achieve energy savings, efficiency, safety, and environmental protection.

As the first asset securitization project under the Group's multi-entity strategy, the Group is now facilitating the spin-off of T-ALL Inspection for separate listing in the capital market of Mainland China. The proposed spin-off was formally registered with the Xinjiang office of the China Securities Regulatory Commission on 29 August 2022 for pre-listing tutoring. In order to improve the governance structure of T-ALL Inspection and further strengthen its organic business development, as at the date of this announcement, the project had brought in seven strategic investors (mostly state-owned enterprises), attracted a cumulative capital injection of RMB252.8 million, with the placement of 18.69% of T-ALL Inspection's shares. The strategic investors will jointly promote the spin-off project with the Company and maximize their business synergies with T-ALL Inspection to promote the spinoff's success.

In 2022, the Group's revenue from inspection services amounted to RMB321.5 million, representing an increase of 17.5% over the 2021 revenue of RMB273.6 million.

EBITDA of the inspection services cluster increased by 21.0% to RMB117.4 million in 2022, from RMB97.0 million in 2021, and with an EBITDA margin of 36.5%, an increase of 1.0 percentage point from 35.5% in the same period last year.

(Note: Due to factors such as intra-group related services, the disclosure of inspection services as a Group business cluster may have certain difference from the inspection business of T-ALL Inspection as an independent legal entity for spin-off and separate listing.)

Oilfield Management Services Cluster

This cluster is comprised of high-quality, asset-light management services. The Group leverages its full spectrum of oil and gas resources development technologies and oil and gas field management professionals to provide optimal oil and gas field management and ancillary services to help customers maximize their asset value. The Group targets markets such as Iraq, West Africa, and China, among others, for oil field management services and has established strong relationships with customers through high-quality management services. The Group had been highly praised by its customer in the Majnoon oilfield management services project since its kick-off in 2018, and the coverage of services were kept expanding. The Group is actively looking to further replicate this business model in global emerging markets.

In 2022, the oilfield management services cluster continued to grow steadily, posting revenue of RMB1,143.6 million, up 24.5% from RMB918.9 million in the same period last year.

Analysis of major product lines in this cluster:

1) Integrated oilfield management services: During the Reporting Period, the integrated oilfield management services product line recorded revenue of RMB759.2 million, an increase of 6.0% compared to RMB716.2 million in the same period last year.

2) Oilfield operation and maintenance services: In 2022, the oilfield operation and maintenance services product line recorded revenue of RMB384.4 million, an increase of 89.6% compared to RMB202.7 million in the same period last year,

EBITDA of the oilfield management services cluster increased by 12.2%, from RMB392.6 million in 2021 to RMB440.6 million in 2022, with an EBITDA margin of 38.5%, a drop of 4.2 percentage points from 2021, mainly due to the Group's expanding of its oilfield management services coverages in the overseas. Some of the projects are in the early stages, and the labor and material expenses in this early stages lead to a relative lower profit margin of those projects.

Oilfield Technical Services Cluster

Oilfield technical services is a cluster that showcases the Group's traditional strengths in technical services. The Group has integrated technical services capabilities that cover the entire life cycle of oil and gas development, with reservoir geology technology as the core. It provides customers with technical services around geology, drilling, well completion, and production stimulation, as well as asset leasing services in the industry. Its targeted services help customers enhance resource development efficiency and maximize reservoir asset value. The Group is also actively promoting green transformation and driving the development of low-carbon, renewable business.

In 2022, revenue from the oilfield technical services cluster reached RMB1,594.5 million, an increase of 19.2% over RMB1,337.5 million in the same period last year.

Analysis of major product lines in this cluster:

1) Drilling technical services: This product line recorded revenue of RMB383.2 million in 2022, representing an increase of approximately 12.4% compared to RMB340.8 million in the same period last year.

2) Well completion technical services: This product line recorded revenue of RMB240.6 million in 2022, a substantial increase of 63.9% compared to RMB146.8 million in the same period last year.

3) Production stimulation technical services: This product line recorded revenue of RMB766.3 million in 2022, an increase of approximately 11.6% from RMB686.5 million in 2021.

4) Asset leasing services: This product line recorded revenue of RMB204.4 million in 2022, representing an increase of 25.1% from RMB163.4 million in the same period last year.

EBITDA of the oilfield technical services cluster decreased by 6.9% to RMB471.0 million in 2022 from RMB506.1 million in 2021, with an EBITDA margin of 29.5%, down 8.3 percentage points from 37.8% in the same period last year, mainly due to the Group's domestic activities being severely affected by COVID, and substantial productivity loss on multiple projects in the second half of 2022.

Drilling Services Cluster

The drilling services cluster is an asset-heavy business, highly susceptible to changes in the industry's capital expenditure. The Group strives to combine its existing high-quality drilling technology and to utilize its own drilling equipment and ecosystem partnership platform to align industry-wide resources for cost-efficient services.

In 2022, revenue from the drilling services cluster reached RMB455.3 million, representing an increase of 15.7% from RMB393.6 million in the corresponding period last year, mainly due to the resumption of drilling projects in the Iraqi market and business growth on the back of favorable market trends surrounding oil and gas development.

EBITDA of the drilling services cluster increased by 6.3% to RMB146.0 million in 2022 from RMB137.4 million in 2021, with an EBITDA margin of 32.1%, a drop of 2.8 percentage points from 34.9% in the same period last year, mainly due to profit erosion from lowered execution efficiency for drilling service projects in the domestic market due to the impact of COVID.

Alignment of Strategic Resources

In 2022, the Group continued to curb new capital expenditure, abided strictly with its "asset-light" business model and maintained "cash flow" focus. Capital expenditure for 2022 amounted to RMB343.1 million, an increase of RMB121.9 million from RMB221.2 million in 2021.

Alignment of Investment

In 2022, the Group primarily made supplementary investments in support of equipment deployed on ongoing projects.

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

In 2022, the Group implemented improvements and innovations to relevant technologies or tools, in line with customers' concrete objectives of production stimulation and cost reduction. It also drove the optimization and upgrade of its product mix through technical partnerships. In 2022, the Group invested RMB80.3 million in research and development ("R&D"), representing a 13.4% increase from RMB70.8 million in the corresponding period last year. Key R&D projects include:

– Research on real-time iterative fracturing technology

– Research on fiber optic fracturing monitoring technology

– Research on intelligent well completion tools

– Research and development of specialty hangers

– Research on a foam geometry eddy current intra-inspection technique

Alignment of Human Resources

In 2022, the Group actively expanded its business and further enhanced its internal operational and management efficiency through a series of management reforms and optimizations.

During the Reporting Period, the Group implemented the OKR methodology across the organization, set aspirational goals, and motivated its entire workforce to focus on the goals to drive transformational growth. At the same time, the Group further implemented the amoeba management concept and streamlined management based on small teams to improve management efficiency across the board. Relying on the "Petrochemical Innovation Academy", the Group continued to recruit outstanding graduates to replenish its top talent reserves for business development while strengthening talent training and facilitating talent progression in all aspects through the various online courses offered by the academy.

As at 31 December 2022, the Group had a total workforce of 5,829, an increase of 1,559 compare with the number as at 31 December 2021. Among them, 3,163 are overseas employees, accounting for 54.3% of the Group's total headcount.

OUTLOOK

In 2023, as China reopens after the lifting of all COVID restrictions and as the impact of the pandemic subsides globally, economic recovery will continue to gain momentum; capital expenditure on oil and gas development in the Middle East, China, and global emerging markets such as Central Asia and Africa will continue to increase; and the demand for oilfield services will keep a strong growth.

In terms of markets, the Group will continue to target global emerging markets for oil and gas development opportunities where it can leverage its differentiated, competitive advantages in pursuit of further business expansion and greater breakthroughs in the broader oil and gas development area. In the Chinese market, national energy security and coordinated energy supply remain top on the government agenda. The Group will continue to focus on growth opportunities in natural gas and non-conventional energy development and offer precision technology and customized solutions based on reservoir geology study to help customers achieve resource efficiency. At the same time, the Group will continue to identify market opportunities arising from China's energy transition towards greener, low-carbon sources; address business opportunities in gas storage and carbon capture, utilization, and storage (CCUS); and accelerate industrial transformation and new business development. In the Iraqi market, many of the Group's existing oilfield customers have clearly defined and are vigorously pursuing the implementation of capacity expansion plans, with some of the oilfields would double its capacity. The Group will actively leverage its strengths and work closely with customers towards achieving their capacity expansion targets. In other overseas markets, benefited from the hot development of oil and gas resources, the Group's project in Chad had seen rise in services price. In 2022, the Group secured initial orders in new markets such as Indonesia, which provides fresh impetus for continued strong growth of the Group's overseas business. Going forward, the Group will seize market opportunities to secure more project orders while pursuing new business milestones in integrated oilfield management projects on a global scale.

In terms of product, technology, and service capabilities, the Group will further advance its multi-entity configuration for inspection services, oilfield management, oilfield technical services, and drilling services and to encourage the stand-alone operation of each entity that leverages the comparative strengths of each in its respective field, as well as efficient and synergetic collaboration among the entities. In 2023, the spin-off and separate listing of the inspection business will be pursued as a dedicated priority, the oilfield management services cluster will focus on seeking new project breakthroughs in global emerging markets, and the oilfield technical services cluster will focus on reservoir-centered total customized technical solution services to help customers develop resources more efficiently. Additionally, leasing is also regarded as a key business model. Under Anton's platformization strategy, the Group will further integrate production and finance by leveraging its access to financial and industrial resources, and develop mutually enabling relationships with its partners with a view to achieving growth at scale in 2023. In the context of a vibrant oil and gas development scene, the Group's drilling services cluster will continue to recover. The Group will build on its service capabilities and leverage its platform to secure growth in drilling services without adding new equipment investment. Additionally, the Group will continue to drive innovation on all fronts. In the second half of 2022, the Group launched the online "Anton Oil & Gas Development Mall" ("AT Mall") for the global oil and gas industry with the vision of becoming the go-to marketplace and aggregator for industry resources that offers a full range of products and services for oil and gas customers worldwide. The Group will continue to build a diversified and open ecosystem of partners, carry out strategic cooperation with partners from various industries, and further implement the "new Anton" ecosystem and platform-based development strategy to allow the Chinese oilfield services industry to thrive as an ecosystem.

In terms of finance, in 2023, the Group will continue to implement strict controls throughout projects beyond leverage reduction and achieve cost reduction, efficiency enhancement, and strong cash flow performance. It will seize the market opportunity of accelerated oil and gas development and further achieve high growth in revenue, profit, and free cash flow across the board. It will continue to implement the multi-entity business strategy, drive asset securitization projects, and further optimize its capital structure.

With regard to environmental, social, and governance (ESG) considerations, the Group strives to further contribute to green development with its technology and efficient services, actively fulfill its corporate social responsibility, nurture talent, empower communities, drive social progress, ensure sustainable organizational growth with a scientific governance structure, and become a benchmark of excellence for the industry under the vision of becoming "a model for the efficient and harmonious development of humanity and the environment".

FINANCIAL REVIEW

Revenue

The Group's revenue for 2022 was RMB3,514.9 million, representing an increase of RMB591.3 million, or 20.2%, from RMB2,923.6 million for the same period of 2021.

Costs of Sales

Cost of sales increased by 24.4% to RMB2,515.1 million in 2022, from RMB2,021.3 million in the corresponding period of 2021.

Other Gains, Net

The Group had kept a continuous proactive debt management, and conducted bond repurchases according to the secondary market situation. Other gains increased substantially within the year, by RMB128.2 million, from RMB24.9 million in 2021 to RMB153.1 million in 2022, mainly from the gains of 2022 Bond repurchase.

Asset Impairment Loss

The asset impairment loss of RMB45.9 million in 2021 was changed to an asset impairment recovery of RMB43.5 million in 2022, mainly due to the recovery of certain overdue accounts receivable for which asset impairment loss had been accrued under the ECL model.

Selling Expenses

Selling expenses were RMB173.3 million in 2022, an increase of RMB32.6 million, or 23.2%, from RMB140.7 million in the corresponding period of 2021.

Administrative Expenses

Administrative expenses for 2022 amounted to RMB264.0 million, an increase of RMB35.3 million, or 15.4%, from RMB228.7 million for the same period of 2021.

R&D Expenses

Research and development expenses amounted to RMB80.3 million in 2022, an increase of RMB9.5 million, or 13.4% from RMB70.8 million in the corresponding period of 2021.

Sales Taxes and Surcharges

Sales taxes and surcharges amounted to RMB13.7 million in 2022, an increase of RMB2.0 million, or 17.1%, from RMB11.7 million in the corresponding period of 2021.

Operating Profit

Operating profit for 2022 was RMB665.2 million, an increase of RMB235.7 million, or 54.9%, from RMB429.5 million for the same period of 2021. The operating profit margin for 2022 was 18.9%, an increase of 4.2 percentage points from 14.7% for the same period of 2021.

Net Financing Costs

In 2022, net financing costs were RMB251.3 million, largely on a par with the RMB252.2 million in the corresponding period of 2021.

Income Tax Expense

In 2022, the income tax expense was RMB122.9 million, an increase of RMB22.2 million, or 22.0%, from RMB100.7 million in the same period of 2021.

Profit/Loss for the Reporting Period

The Group reported a net profit of RMB297.6 million for 2022, a significant increase of RMB222.2 million, or 290.0%, from RMB75.4 million for the corresponding period of 2021.

Profit/Loss Attributable to Equity Holders of the Company

In 2022, the Group's profit attributable to equity holders of the Company amounted to RMB293.8 million, representing a significant increase of RMB221.6 million, or 306.9% from RMB72.2 million in the corresponding period of 2021.

Trade and Notes Receivable

As at 31 December 2022, the Group's net trade and bills receivables amounted to RMB2,034.6 million, representing a decrease of RMB61.7 million from 31 December 2021. The average trade receivable turnover was 198 days for 2022, a decrease of 37 days as compared to the same period of 2021.

Inventories

As at 31 December 2022, the Group's inventories were valued at RMB933.8 million, representing a decrease of RMB11.2 million as compared to 31 December 2021.

Liquidity and Capital Resources

As at 31 December 2022, the Group had cash and bank deposits of approximately RMB1,205.9 million (including restricted bank deposits and cash and cash equivalents), representing a decrease of RMB382.2 million as compared to 31 December 2021.

The Group had outstanding short-term borrowings of RMB1,139.7 million as at 31 December 2022. RMB1,042.7 million of the credit lines underwritten to the Group by Chinese banks remained unused.

As at 31 December 2022, the Group's gearing ratio was 51.9%, representing a decrease of 9.5 percentage points from the gearing ratio of 61.4% as at 31 December 2021. The calculation of the gearing ratio is based on total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities, and trade and notes payable (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.

The equity attributable to equity holders of the Company amounted to RMB3,081.5 million as at 31 December 2022, an increase of RMB394.1 million from RMB2,687.4 million as at 31 December 2021.

Material Acquisition and Disposal of Subsidiaries, Associates, and Joint Ventures

During the twelve months ended 31 December 2022, the Group had no material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Currency Risk

The Group conducts its business mainly in RMB and USD, and some of its imports and exports are settled in foreign currencies. The Group maintains that the currency risk associated with the Group's settlement amounts denominated in foreign currencies is non-material. The Group's currency risk mainly arises from its foreign currency deposits and long-term bonds and trade receivables 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 2022, the Group's cash flow from operating activities was a net inflow of RMB980.0 million, representing an increase of RMB222.8 million as compared to the corresponding period of 2021.

Capital Expenditure and Investment

The Group's capital expenditure for the twelve months ended 31 December 2022 amounted to RMB343.1 million, representing an increase of RMB121.9 million compared to the capital expenditure of RMB221.2 million in 2021.

Contractual Obligations

The Group's contractual obligations mainly consist of its capital commitments. As at 31 December 2022, the Group's capital commitments (but not yet provisioned in the consolidated statement of financial position) amounted to approximately RMB56.3 million.

Contingent Liabilities

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

Asset Collateralization

As at 31 December 2022, the Group's assets collateralized for bank financing facilities were property and equipment with a net book value of RMB85.9 million, right-of-use assets with a net book value of RMB5.7 million, trade receivables with a net book value of RMB318.8 million and the restricted bank deposits of RMB51.8 million.

Off-Book Arrangements

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 25 May 2023 (Thursday) 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 22 May 2023 (Monday) to 25 May 2023 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2023 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 May 2023 (Friday).

FINAL DIVIDEND

The Board of Directors of the Company has not recommended payout of a final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Reporting Period.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has 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 Company's Directors. Having made specific inquiries with all Directors, the Company confirms that all Directors have fully complied with the applicable requirements stipulated in the said Model Code throughout the Reporting Period.

PURCHASE, SALE, OR REDEMPTION OF THE LISTED SECURITIES

For the twelve months ended 31 December 2022, the Company repurchased a total of USD93,828,000 of the 2022 Bonds from the secondary market and successfully repaid the rest of 2022 Bonds totaled USD83,759,000 at the par value with its own cash at its due date. Besides, within the year, the Company repurchased a total of USD32,724,000 of the 2025 Bonds with the coupon rate of 8.75% due in 2025.

During 2022, the trustee of the Company's Restricted Stock Incentive Scheme purchased a total of 29,004,000 shares of the Company in the secondary market with its own cash through the Restricted Share Incentive Scheme, representing 1.0% of the total number of issued shares of the Company as at the date of this announcement.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold, or repurchased any listed securities of the Company.

SUBSEQUENT EVENT

No material events have occurred after 31 December 2022 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Listing Rules and the CG Code. The Audit Committee comprises all three existing 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 annual financial statements of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in the announcement of the Company dated 26 March 2023 in relation to the annual results of the Group for the year ended 31 December 2022 (the "2022 Results Announcement") have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the 2022 Results Announcement.

PUBLICATION OF ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.antonoil.com). The annual report of the Company for the year ended 31 December 2022, which contains all the data required by the Listing Rules, will be distributed in due course to the shareholders of the Company and posted on the above-mentioned websites for review.

By order of the Board
Anton Oilfield Services Group
Chairman
LUO Lin

Hong Kong, 26 March 2023

As at the date of this announcement, the Group's Executive Directors are Mr. LUO Lin, Mr. PI Zhifeng, and Mr. FAN Yonghong; Non-Executive Director is Mr. HUANG Song; and Independent Non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping, and Mr. WEE Yiaw Hin.