2022
ANNUAL REPORT

ANTON 安東

安東油田服務集團
Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

CONTENTS

ABOUT ANTON

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

BUSINESS

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

The Group's business can be classified into four segments, they are inspection services, oilfield management services, oilfield technical services and drilling rig services. The four business segments are briefly introduced as follows:

INSPECTION SERVICES

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

OILFIELD MANAGEMENT SERVICES

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

Integrated Oilfield Management Services

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

Oilfield operation and maintenance services

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

OILFIELD TECHNICAL SERVICES

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

Drilling Technical Services

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

Well Completion Technical Services

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

Stimulation Technical Services

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

Asset Leasing Services

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

DRILLING RIG SERVICES

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

FINANCIAL SUMMARY

CONDENSED CONSOLIDATED INCOME STATEMENTS

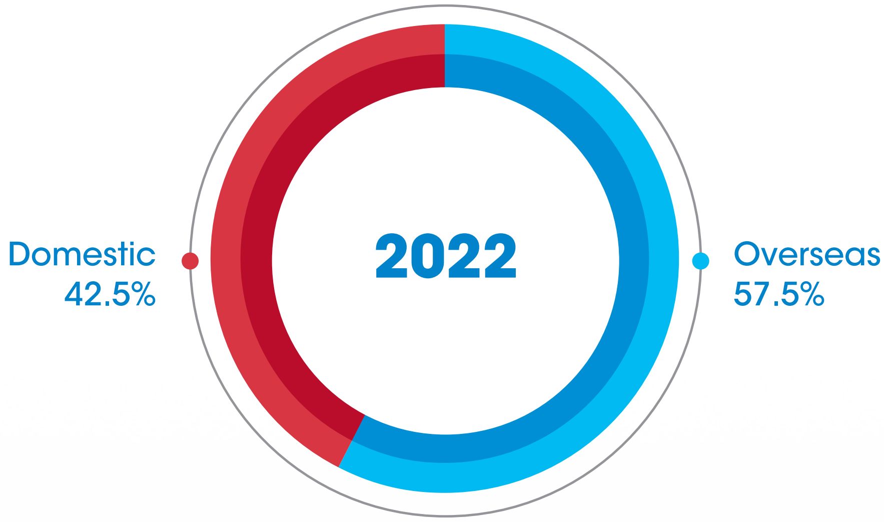
	For the year ended 31 December				
RMB ('000)	2018	2019	2020	2021	**2022**
Revenue	2,935,888	3,589,497	3,087,652	2,923,566	**3,514,912**
Other gains, net	11,932	176	40,279	24,919	**153,114**
Operating costs	(2,303,557)	(2,870,091)	(2,803,400)	(2,519,006)	**(3,002,875)**
Operating profits	644,263	719,582	324,531	429,479	**665,151**
Finance costs, net	(297,454)	(295,133)	(293,933)	(252,170)	**(251,293)**
Profit before income tax	347,164	425,211	30,739	176,084	**420,502**
(Loss)/Profit for the year	250,721	282,420	(83,760)	75,350	**297,591**
Attributable to: Equity holders of the Company	222,423	268,583	(95,844)	72,218	**293,810**
Non-controlling interests	28,298	13,837	12,084	3,132	**3,781**
Dividends	30,317	–	–	–	**-**
(Loss)/Earnings per share attributable to the equity holders of the Company during the year (expressed in RMB per share) Basic	0.0792	0.0894	(0.0322)	0.0249	**0.1013**
Diluted	0.0783	0.0889	(0.0322)	0.0246	**0.0990**

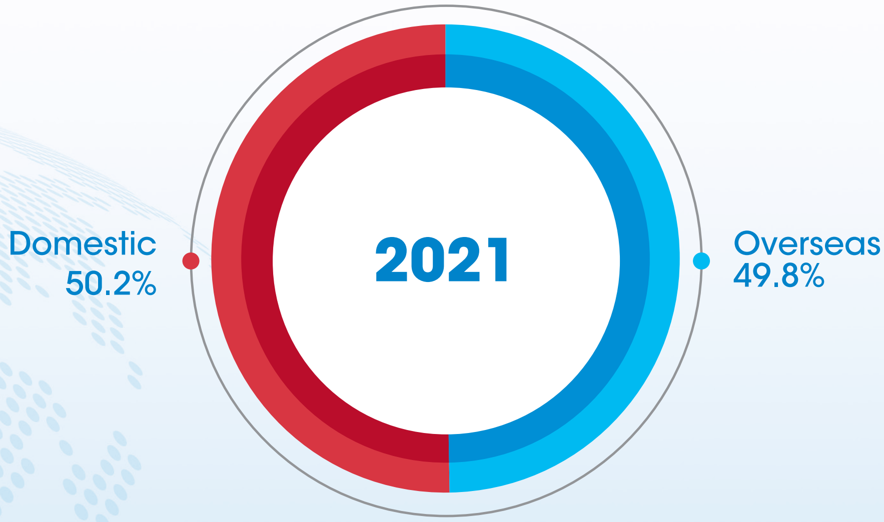
CONDENSED CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
RMB ('000)	2018	2019	2020	2021	**2022**
Assets					
Non-current assets	3,002,465	3,025,898	2,847,367	2,709,437	**2,880,925**
Current assets	4,244,136	6,480,914	5,033,754	5,439,928	**5,101,870**
Total Assets	7,246,601	9,506,812	7,881,121	8,149,365	**7,982,795**
Total Equity	2,694,562	2,957,663	2,763,721	2,828,161	**3,300,809**
Liabilities					
Non-current liabilities	2,305,184	2,310,327	2,028,782	996,120	**891,033**
Current liabilities	2,246,855	4,238,822	3,088,618	4,325,084	**3,790,953**
Total liabilities	4,552,039	6,549,149	5,117,400	5,321,204	**4,681,986**
Total equity and liabilities	7,246,601	9,506,812	7,881,121	8,149,365	**7,982,795**
Net current assets	1,997,281	2,242,092	1,945,136	1,114,844	**1,310,917**
Total assets less current liabilities	4,999,746	5,267,990	4,792,503	3,824,281	**4,191,842**

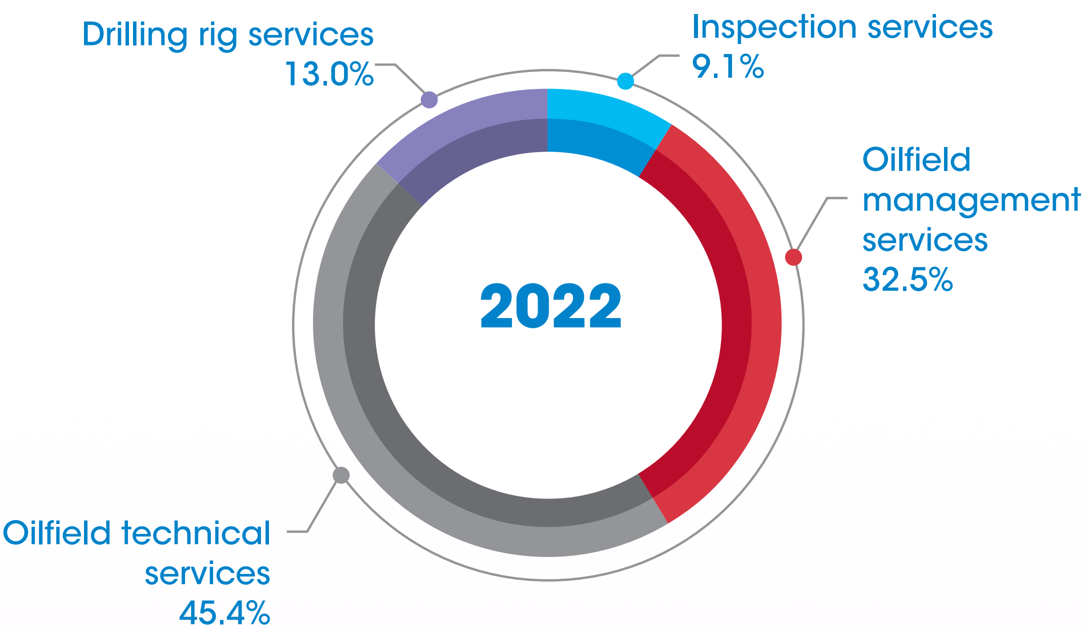
FINANCIAL HIGHLIGHT

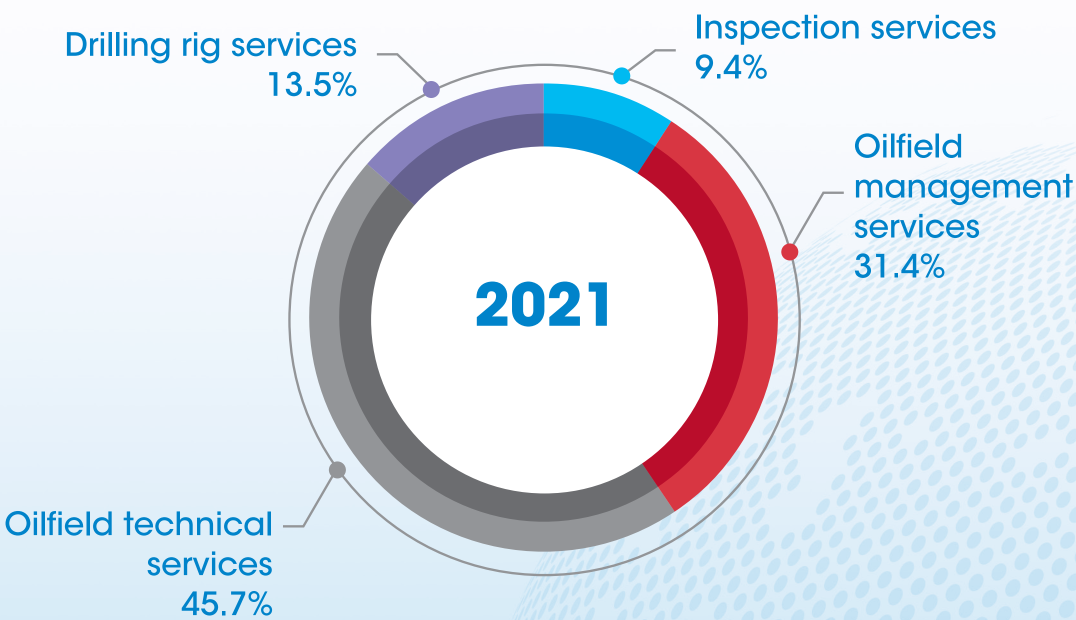
REVENUE BREAKDOWN BY REGION





REVENUE BREAKDOWN BY BUSINESS CLUSTERS





CHAIRMAN'S STATEMENT

Dear Shareholders:

It is my pleasure to share with you our results in 2022 as well as the outlook for 2023 and beyond. In 2022, although we were still facing the huge challenge of the pandemic, we have successfully crossed the industry cycle and returned to the high-growth track by implementing our Brand-New Anton Strategy, as well as continuously transforming internally. In 2022, revenue of the Group is RMB3,514.9 million, profit attributable to the equity holders is RMB293.8 million, and the operating cash flow is RMB980.0 million, not only do our performance improved significantly year on year, but also exceeded the Pre-COVID level.

In terms of our market performance, in the year 2022, the overseas market fully resumed work in the second half, revenue from the Iraq market grew 48.0% year on year; revenue from other overseas markets grew 16.2%, and we penetrated our business into the Indonesia market in 2022; revenue from the domestic market maintained a stable level, despite the very harsh challenges from the epidemic in the second half.

In terms of our products, in 2022 we have made new breakthroughs after years of transformation and innovation. Our traditional businesses transformed successfully, by providing with our customers the overall solution of precision engineering technology, and we increased production by three times. This kind of service requires capabilities that go beyond traditional technical service companies, and divides Anton from its peers, enabling Anton to take precision technology as the breakthrough point, upgrade its traditional businesses, and enter its targeted markets. Furthermore, our business model transformed a lot in 2022, our new businesses had been expanding rapidly, and in total contributed over 40% revenue of the Group, and an even larger portion of its profit, which reflects the successful transformation of our business model, Anton is becoming a new oilfield services company with high-return and high-growth business as its core.

In terms of our capital structure, we improved a lot in 2022, we have reduced and repaid the USD Bond with our abundant cash on hand, the gear ratio has been reduced to 58.7% from 68.9% of the pre-COVID level, we built a much more stable capital structure. In addition, under the strategy of multi-subject operation and asset securitization, T-ALL Inspection Group, a wholly-owned subsidiary of the Group fully launched its spin-off and listing plan, and successfully introduced strategic investors, of which the majority are with state-owned asset backgrounds. T-ALL Inspection is committed to being the top listed company in the domestic capital market in the China natural gas inspection industry, which will further raise the value of the Group.

OUTLOOK FOR 2023

The impact of the epidemic has been fully eliminated on a global scale. With the gradual recovery of demand, the oil and gas supply gap will be further intensified. In 2023, oil companies leading by national oil companies are making every effort to build up production capacity, with CAPEX growing greater than 10% year on year, the global oil and gas development markets are ushering in great opportunities. With new opportunities emerged, Anton will develop its business with the goal of "creating breakthrough contributions for customers", and this goal will be accomplished through our continuous innovation.

In 2023, our focus on innovation is" dual-transformation and digital empowerment".

By dual-transformation I mean the transformation of our traditional business and our new businesses

Transformation of our traditional businesses – the transformation of traditional businesses will be driven by the precision engineering technology, the case of production-increase in 2022 has drawn a lot of attention from our customers, this kind of business model upgraded Anton from pricing competition to value creation, which fundamentally changed the competition landscape. In 2023, we will look for value depressions with high reserve but low production across the domestic market and the global emerging markets, to further promote this business model. Anton is committed to joint innovation with oilfield customers and together create breakthrough contributions to increase production and improve efficiency.

Transformation of our new businesses – for the rapidly developing new businesses, we will further expand the service scope of our oilfield management business to help customers maximize the resource values; we will propose the concept of "everything needed in the oil and gas development is leasable" and provide with customers the full-round and efficient asset solutions; we will promote the listing of inspection business in the domestic capital market, and make every effort to develop it into a world-leading asset intelligence management group; in addition, our innovative digital services will be based on various application scenarios in oil and gas fields, and provide professional accompanying services in oil and gas fields. Our new businesses will differentiate Anton from its peers and step away from homogeneous competition, to contribute to our customers in a unique way.

By digital empowerment I mean AT Mall, the most scaled e-commerce platform in the industry, which empowers the oil and gas development industry ecosystem. AT Mall rely on Anton's global service base, combines online and offline business, efficiently links all-round industry resources and facilitates transactions for free, and makes it easy for the oil and gas development industry to do business. We have also launched the OilMates, an open community platform to empower practitioners in the industry, we learn and communicate with all partners in the industry through OilMates, share and create together, communicate new developments in the industry, and make oil and gas development joyful. Digital empowerment will further enhance our influence in the industry, broaden our horizons, and build the potential of future growth.

In summary, Anton, instead of being defeated by the epidemic in the past three years, has achieved a series of transformation, innovation, and evolution, Anton is acting as the Internet Company in the oil and gas industry, and is driving its scale development in the future through its ecological cooperation with partners and its platform-based business.

ACKNOWLEDGEMENT

On behalf of the board of directors, I would like to express my sincere thanks to all customers, employees, partners and shareholders. Thanks to your long-term trust and support, we can tide over the difficult times and keep making new achievements. In 2023, we have already seen the new opportunities emerge through the industry upcycle, and Anton, judging from its market and operating condition in the first quarter of 2023, is entering the best period of development. Anton will seize the opportunity to achieve breakthroughs and ultimately achieve the long-term sustainable development.

Chairman
LUO Lin

26 March 2023

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. HUANG Song

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ESG ("ENVIRONMENT, SOCIETY AND GOVERNANCE") COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Ms. Nelly AU-YEUNG

COMPANY SECRETARY

Ms. Nelly AU-YEUNG

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Deloitte Touche Tohmatsu

LEGAL ADVISERS

as to Hong Kong and U.S. law:

Sidley Austin

as to PRC law:

Tiger Partners

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

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

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

3337

DATE OF LISTING

14 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 (RMB Mn)	2021 (RMB Mn)	Change (%)	**2022 (%)**	2021 (%)
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 (RMB Mn)	2021 (RMB Mn)	Change (%)	**2022 (%)**	2021 (%)
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 (RMB Mn)	2021 (RMB Mn)	Change (%)	**2022 (%)**	2021 (%)
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.

DIRECTORS' REPORT

The Board of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

The financial results of the Group for 2022 are set out on pages 68 to 164 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

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

FINAL DIVIDEND

At the Board meeting held on 24 March 2023, the Board did not recommend a payment of a final dividend for the year ended 31 December 2022(2021: NIL).

BUSINESS REVIEW

Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 13 to 26 of this annual report. The discussion constitutes a part of this Director's Report.

Principal Risks and Uncertainties

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

Business Outlook

The business outlook of the Group is detailed in the Management Discussion and Analysis on pages 13 to 26 of this annual report. The discussion constitutes a part of this Director's Report.

Key Performance Indicators

The key performance indicators are detailed in the financial review set out in the Management Discussion and Analysis on pages 23 to 26 of this annual report. This discussion constitutes a part of this Directors' Report.

Environmental Policies and Performance and Compliance with Laws and Regulations

Matters in relation to Environmental Policies and Performance and Compliance with Laws and Regulations, please refer to the "2022 Sustainability Report" which would be published separately by the Group at a later time. The discussion constitutes a part of this Director's Report.

Relationships with Employees

Please refer to the "2022 Sustainability Report" which would be published separately by the Group. The discussion constitutes a part of this Director's Report.

Relationships with Customers and Suppliers

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

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

For matters in relation to Relationships with Customers and Suppliers, Please refer to the "2022 Sustainability Report" which would be published separately by the Group. The discussions constitutes a part of this Director's Report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Group accounted for approximately 46.0% and 73.8% respectively of the Group's revenues for the year ended 31 December 2022.

For the year ended 31 December 2022, the total amount of purchases made by the Group from the largest supplier and its five largest suppliers accounted for 5.1% and 13.1% respectively of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

SUBSIDIARIES

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

PROPERTIES, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Group for the year ended 31 December 2022 totaled RMB164.8 million. Details of movements are shown under Note 6 to the consolidated financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

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

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 on 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 cash from 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.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in Notes 15 and 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to RMB1,049.6 million.

BOND AND SENIOR NOTES

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in this Directors' Report on pages 35 to 38 and Note 14 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year.

DIRECTORS

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

Executive Directors

Mr. Luo Lin	(appointed on 3 August 2007)
Mr. Pi Zhifeng	(appointed on 25 March 2015)
Mr. Fan Yonghong	(appointed on 16 April 2019)

Non-executive Directors

Mr. Huang Song	(appointed on 31 December 2020)

Independent Non-executive Directors

Mr. Zhang Yongyi	(appointed on 17 November 2007)
Mr. Zhu Xiaoping	(appointed on 17 November 2007)
Mr. Wee Yiaw Hin	(appointed on 19 April 2017)

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

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

Mr. Zhang Yongyi and Mr. Zhu Xiaoping, being the Independent Non-executive Directors, has renewed their letter of appointment with the Company for a term of one year commencing from 9 January 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wee Yiaw Hin, being the Independent Non-executive Director, has renewed his letter of appointment with the Company for a term of 3 years commencing from 19 April 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

REMUNERATION OF DIRECTORS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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

Name of Director	Note	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
LUO Lin	1, 2	Founder of a discretionary trust and beneficial owner	741,582,330	24.66%
PI Zhifeng	2	Beneficial owner	13,648,000	0.45%
FAN Yonghong	2	Beneficial owner	28,320,000	0.94%
ZHANG Yongyi	2	Beneficial owner	3,990,000	0.13%
ZHU Xiaoping	2	Beneficial owner	3,550,000	0.11%
WEE Yiaw Hin	2	Beneficial owner	3,550,000	0.11%
Huang Song	2	Beneficial owner	650,000	0.02%

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

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

Save as disclosed above, at no time during the year ended 31 December 2022, the Directors and chief executive (including their spouses and children under the age of 18 years) had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, its particular undertakings or its associated corporations as required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

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

Notes:

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

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

Save as disclosed above, as at 31 December 2022, so far was known to the Directors, no other persons (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 26 May 2017. For the year ended 31 December 2022, there is no new share option granted. The purpose of the Share Option Scheme is to grant option to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or agents.

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

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

As at 31 December 2022, the total number of shares available for issue was 351,738,925, representing 11.7% of the issued share capital of the Company, among which 16,430,000 shares were share options available to be granted, and 335,308,925 shares were outstanding options.

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

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

As at 31 December 2022, the remaining life of the Share Option Scheme was approximately five years and five months.

As at 31 December 2022, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each. Details of the movements in the number of share options during the year ended 31 December 2022 under the Share Option Scheme are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK$	Note	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 31 December 2022
Directors										
LUO Lin	2 December 2016	2 December 2017 to 1 December 2022	1.100	1,5	2,216,000	-	-	-	2,216,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	442,000	-	-	-	-	442,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,7	2,218,000	-	-	-	-	2,218,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,8	784,922	-	-	-	-	784,922
				Subtotal:	5,660,922	-	-	-	2,216,000	3,444,922
PI Zhifeng	1 April 2016	1 April 2017 to 31 March 2022	0.800	1,4	3,000,000	-	-	-	3,000,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	3,000,000	-	-	-	-	3,000,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,7	2,600,000	-	-	-	-	2,600,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,8	2,600,000	-	-	-	-	2,600,000
				Subtotal:	11,200,000	-	-	-	3,000,000	8,200,000
FAN Yonghong	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,3	2,700,000	-	-	-	2,700,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	2,700,000	-	-	-	-	2,700,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,7	3,500,000	-	-	-	-	3,500,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,8	4,020,000	-	-	-	-	4,020,000
				Subtotal:	12,920,000	-	-	-	2,700,000	10,220,000
ZHANG Yongyi	1 April 2016	1 April 2017 to 31 March 2022	0.800	2,4	900,000	-	-	-	900,000	-
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	-	-	-	-	700,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,7	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,8	700,000	-	-	-	-	700,000
				Subtotal:	3,000,000	-	-	-	900,000	2,100,000

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK$	Note	Number of share options as at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 31 December 2022
ZHU Xiaoping	1 April 2016	1 April 2017 to 31 March 2022	0.800	2,4	900,000	–	–	–	900,000	–
	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	–	–	–	–	700,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,7	700,000	–	–	–	–	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,8	700,000	–	–	–	–	700,000
				Subtotal:	3,000,000	–	–	–	900,000	2,100,000
WEE Yiaw Hin	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,6	700,000	–	–	–	–	700,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,7	700,000	–	–	–	–	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,8	700,000	–	–	–	–	700,000
				Subtotal:	2,100,000	–	–	–	–	2,100,000
Employees in aggregate	24 February 2016	24 February 2017 to 23 February 2022	0.740	1,3	74,617,334	–	–	–	74,617,334	–
	1 April 2016	1 April 2017 to 31 March 2022	0.800	1,4	1,500,000	–	–	–	1,500,000	–
	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,6	80,650,000	–	–	–	3,170,000	77,480,000
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,7	47,915,333	–	–	–	2,000,000	45,915,333
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,8	73,249,078	–	–	–	2,940,000	70,309,078
	1 April 2020	1 April 2021 to 31 March 2026	0.495	1,9	113,439,592	–	–	–	–	113,439,592
				Subtotal:	391,371,337	–	–	–	84,227,334	307,144,003
				Total	429,252,259	–	–	–	93,943,334	335,308,925

Notes:

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

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

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

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

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

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

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

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

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

* Source from website of Hong Kong Exchange

RESTRICTED SHARE AWARD SCHEME

On 30 December 2019, the Board has resolved to adopt the Restricted Share Award Scheme the ("Scheme"), The total number of shares that may be granted under the Scheme may not exceed 10% of the current total number of Shares in issue, and the Scheme will be implemented by purchasing shares on the secondary market. The Scheme will be valid and effective for a period of ten years from the approval date of the Scheme and all eligible participants are entitled to participate in the Scheme. During the reporting period, over 100 employees in key positions including Directors were granted Restricted Share Awards. As of 31 December 2022, the remaining life of the Restricted Share Award Scheme was approximately 7 years.

Objectives

The objective for setting up the Scheme was to (i) establish a partnership mechanism through employee shareholding in the Company to encourage employees to participate in the operation and management of the Company, so as to optimize its corporate governance structure and create a new form of partnership platform; (ii) align the interests of employees with that of the shareholders so as to form a entrepreneurship and sharing culture atmosphere, encourage employees to participate in building a common community, create value, share achievements, actively promote the growth and development of the Company and achieve an ultimate win-win target for the Company, employees and investors.

ADMINISTRATION

The Scheme is subject to the administration of the Board in accordance with the rules of the Scheme (the"Scheme Rules").

VESTING AND LAPSE

Unless otherwise determined by the Board at its discretion, the relevant shares granted (the "Awarded Shares") to a participant (the "Selected Employee") and held by the Trustee of the Scheme on behalf of the Selected Employees on Trust shall not vest in the relevant Selected Employee in the following circumstances: (i) the Selected Employee ceases to be a Selected Employee for whatever reason; or (ii) other circumstances as provided in the Scheme Rules. Upon occurrence of any of the above circumstances, any Awarded Shares awarded but have not been vested in the Selected Employee will be returned to the Trust in accordance with the Scheme Rules.

The following table summarises the movement in the Company's Awarded Shares which were granted under the Scheme during the reporting period.

Name of Participant	Date of Grant	Note	Number of Awarded shares	Granted but unvested as at 1 January 2022	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 31 December 2022
Directors							
LUO Lin	1 January 2021	1	8,800,000	5,866,667	2,933,333	–	2,933,334
	15 July 2022	1	7,100,000	–	2,366,667	–	4,733,333
		Subtotal	15,900,000	5,866,667	5,300,000	–	7,666,667
PI Zhifeng	1 January 2021	1	2,800,000	1,866,667	933,333	–	933,334
	15 July 2022	1	2,200,000	–	733,333	–	1,466,667
		Subtotal	5,000,000	1,866,667	1,666,666	–	2,400,001
FAN Yonghong	1 January 2021	1	5,600,000	3,733,333	1,866,667	–	1,866,666
	15 July 2022	1	4,500,000	–	1,500,000	–	3,000,000
		Subtotal	10,100,000	3,733,333	3,366,667	–	4,866,666
ZHANG Yongyi	1 January 2021	2	800,000	400,000	400,000	–	–

Name of Participant	Date of Grant	Note	Number of Awarded shares	Granted but unvested as at 1 January 2022	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 31 December 2022
	15 July 2022	2	650,000	–	325,000	–	325,000
		Subtotal	1,450,000	400,000	725,000	–	325,000
ZHU Xiaoping	1 January 2021	2	800,000	400,000	400,000	–	–
	15 July 2022	2	650,000	–	325,000	–	325,000
		Subtotal	1,450,000	400,000	725,000	–	325,000
WEE Yiaw Hin	1 January 2021	2	800,000	400,000	400,000	–	–
	15 July 2022	2	650,000	–	325,000	–	325,000
		Subtotal	1,450,000	400,000	725,000	–	325,000
HUANG Song	15 July 2022	2	650,000	–	325,000	–	325,000
		Subtotal	650,000	–	325,000	–	325,000
Employees in aggregate	1 January 2021	1	66,830,000	41,686,667	20,643,333	1,033,333	20,010,001
	15 July 2022	1	59,330,000	–	19,760,000	266,667	39,303,333
		Subtotal	126,160,000	41,686,667	40,403,333	1,300,000	59,313,334
		Total	162,160,000	54,353,334	53,236,666	1,300,000	75,546,668

Notes:

1. One-third of the Awarded Shares will be vested in the first year, second year and third year from the grant date.

2. 50% of the Awarded Shares will be vested in the first year and second year from the grant date.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022.

ARRANGEMENTS TO ACQUIRE SHARE OR DEBENTURES

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

DIRECTOR'S SECURITIES TRANSACTIONS

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

TAXATION

For the year ended 31 December 2022, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2022 are set out in Note 35 to the Financial Statements of this Annual Report. None of the related party transitions continuing to connected transition or continuing connected transitions subject to independent shareholders' approval, annual review and will disclosure requirements in Chapter 14A of the Listing Rules.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

There had been no change to the Company's constitutional documents during the year ended 31 December 2022.

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 Shops 17th M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 May 2023 (Friday).

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. Wee Yiaw Hin. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2022.

AUDITORS

The consolidated financial statements for the year ended 31 December 2022 have been audited by Deloitte Touche Tohmatsu, who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Luo Lin
Chairman

26 March 2023

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LUO Lin (羅林), aged 55, is the Chairman and the founder of the Group, in charge of the overall business of the Group. Prior to establishing the Group, Mr. Luo worked at the Tarim Basin from 1992 to 1999. Mr. Luo has 31 years of experience in the petroleum industry. He has an Executive Master of Business Administration (EMBA) degree from Tsinghua University and a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院). Mr. Luo is also a certified lawyer and a chartered accountant in the PRC.

PI Zhifeng (皮至峰), aged 44, is the Executive Director and Chief Executive Officer of the Company, in charge of the Group's strategy making, the overall business operation target achievement and capital market work. Mr. Pi joined the Group in 2004, and was responsible for the management of strategies, business establishment and capital market. Prior to joining the Group, Mr. Pi was responsible for investment in China Chengxin Financial Consultancy Co., Ltd (中誠信財務顧問有限公司). Mr. Pi has a Master of Business Administration degree from the University of Chicago Booth School of Business in the U.S.

FAN Yonghong (范永洪), aged 52, is the Executive Director, the President and Chief Technology Officer of the Company, and is responsible for daily operations of the Company and technical construction, including operation management, product research and development, technical cooperation and development, market business, customer management and human resource management. Mr. Fan joined the Group in 2004, and was responsible for the setup and technical construction of the well service business and the management of business clusters of the Group. Prior to joining the Group, Mr. Fan was employed by PetroChina Tarim Oilfield Company (中石油塔里木油田分公司) between 1991 and 2004. He has 32 years of experience in the petroleum industry. Mr. Fan has an Executive Master of Business Administration (EMBA) degree from China Europe International Business School (CEIBS).

NON-EXECUTIVE DIRECTOR

HUANG Song (黃松), aged 60, is the Non-executive Director of the Company, is also a senior engineer of water supply and drainage who is an inventor of many patents in the industry and won the first prize of Science and Technology progress of Petro China. Mr. Huang acted as the Chairman and General Manager of Beijing Oil HBP Technology Co., Ltd from 1998 to 2009, he was also the former Chairman of China Oil HBP Science & Technology Co., Ltd ("China Oil HBP") from 2009 to 2019 and is currently the Vice Chairman and General Manager of China Oil HBP. Mr. Huang was appointed as an Engineer and Senior Engineer in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec from 1986 to 1998. Before his career in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec, he served in Henan Oilfield Drilling Company and Oil Recovery Technology Research Institute from 1981 to 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yongyi (張永一), aged 86, is the Independent Non-executive Director of the Company. Mr. Zhang has extensive experience in the petroleum industry. Mr. Zhang was appointed as the Deputy General Manager of CNPC in 1992. Prior to this, he had taught in the Southwest Petroleum Institute (西南石油學院) for more than 32 years. Mr. Zhang was appointed as Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000 and appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998.

ZHU Xiaoping (朱小平), aged 74, is the Independent Non-executive Director. Mr. Zhu has extensive experience in corporate finance and is currently an Accounting Professor of the Renmin University of China (中國人民大學). He served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Audit Society (中國審計學會理事).

Wee Yiaw Hin, aged 64, is the Independent Non-executive Director. Mr. Wee has more than 34 years of experience in the Oil & Gas Industry. He spent 21 years in Shell in Malaysia and Overseas, and joined PETRONAS as Executive Vice President and Chief Executive Officer of Upstream Business in May 2010. Mr. Wee was Executive Director and Executive Committee member of the board of PETRONAS Group. Mr. Wee graduated as a Civil Engineer and holds a Masters' Degree of Science from Imperial College, UK.

SENIOR MANAGEMENT

SHEN Haihong (沈海洪), aged 53, is an Executive Vice President of the Company, and is in charge of the construction of the group's information platform and management improvement, assisting the chairman of the board of directors in charge of the group's audit and supervision department. Mr. Shen joined the Group in 2007, and was in charge of the tubular service cluster as well as operational management of the Group. Prior to joining the Group, Mr. Shen was employed by CNPC between 1991 and 2006. He has more than 32 years of experience in the petroleum industry. Mr. Shen has a Master of Business Administration degree from Tsinghua University.

XU Hongjian (徐宏劍), aged 41, The financial controller of the company, is in charge of the Group's financial management, fund management, legal affairs and compliance management, Mr. Xu participates in the maintenance of financial institution relations, participates in capital market work and assists the chairman in carrying out work related to investor relations in the capital market, and assists the president in managing the group's planned operations. Mr. Xu joined the Group in 2006 and was responsible for the financial work, risk control and marketing of the Group. Prior to joining the Group, from 2003 to 2006, Mr. Xu worked at Deloitte & Touche LLP and was engaged in financial audit. Mr. Xu holds a bachelor's degree in finance from Fudan University, and an Executive Master of Business Administration degree (EMBA) from Tsinghua University.

CORPORATE GOVERNANCE REPORT

Since the listing of its shares on the Stock Exchange on 14 December 2007, the Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions (the "Code Provision(s)") under Appendix 14 to the Listing Rules as its own code. The Company has been in compliance with all the applicable Code Provisions for the year ended 31 December 2022.

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

CORPORATE GOVERNANCE STRUCTURE

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

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

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

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company. The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board of the Company comprises the following Directors:

Executive Directors

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

Non-executive Director

Mr. HUANG Song

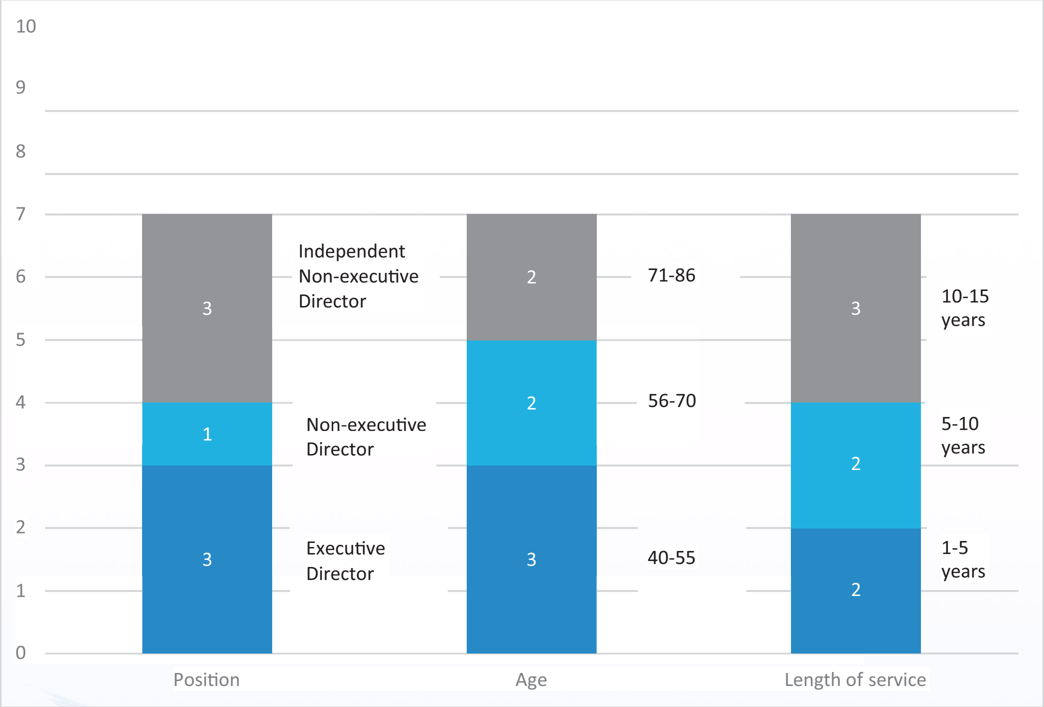
Independent Non-executive Directors

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

The biographical information of the Directors are set out on pages 43 to 44 of this Annual Report. None of the members of the Board is related to one another.

Board Diversity

The Board recognized the benefits of diversity in the Board in enhancing the Board's effectiveness. In this regard, the Board has adopted a Board Diversity Policy (the "Board Diversity Policy") in August 2013 which sets out the approach to achieve diversity on the Board. The Nomination Committee will give consideration to a number of factors as set out in the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service. Details on the biographies and experience of the Directors are set out on page 43 to page 44 of this annual report.



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

Gender Diversity

The Company values gender diversity at each level of the Group. As of the date of this report, about 15% of middle management employees are female employees, and about 10% of other employees are female employees.

The Board is committed to improving the gender diversity of the Board of Directors, senior management and other employees, and will hire at least one female director by the end of 2024, while continuing to increase the proportion of female employees of its senior management, middle management and other employees.

Details on the gender ratio of the Group together with relevant data can be found in the Sustainability Report on pages 47 to 49.

Chairman and Chief Executive Officer

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

Independent Non-Executive Directors

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

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

Mr. Zhang Yongyi and Mr. Zhu Xiaoping have served the Board since 17 November 2007. They have served as independent non-executive directors for more than 10 years. The continued appointment of Mr. ZHANG Yongyi and Mr. ZHU Xiaoping (both have served the Board beyond ten years) as the independent non-executive directors is subject to approval by the Shareholders in annual general meeting. Mr. Wee Yiaw Hin have served the Board since 19 April 2017. During their years of appointment, Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wee Yiaw Hin have demonstrated their ability to provide an independent view to the Company’s matters. Notwithstanding their years of service as Independent Non-executive Directors, the Board is of the view that they are able to continue to fulfill their role as required.

Independence of the Board

The Group has mechanisms to ensure independent views and input are available to the Board and such mechanisms (as stated below) will be reviewed annually by the Board, encouraging all directors including independent non-executive directors to express their views in an open manner during the Board/Board Committees meetings.

1. The Board is able to exercise objective judgment on corporate affairs independently from the Management. No individual or group of individuals is allowed to dominate the Board's decision-making. Currently, nearly half of the Board members are Independent Non- Executive Directors. The Board has complied with the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. The Nomination Committee and the Board are thus of the view that there is sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group, taking into account factors such as the number of independent directors and the size and scope of the affairs and operations of the Group.

2. All Directors are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the company secretary (the "Company Secretary") and, where necessary, independent advice from external professional advisers at the Company's expense.

3. The Board will undertake more rigorous review annually on the independence of any Director who has served the Board beyond ten years, and in doing so, the Board will also take into account the need for progressive refreshing of the Board. In addition, when a director who has served the Board beyond ten years seeks for continued appointment as an independent non-executive director, his/her re-appointment will also be subject to approval by shareholders in forthcoming annual general meeting.

4. Independent Non-Executive Directors play an important role in the Board's decision-making process. They constructively challenge and assist to develop proposals on strategy, review the performance of the Management in achieving targets and objectives, and monitor the reporting of performance. In particular, the Chairman of the Board ensures that each of the Independent Non-Executive Directors is given sufficient time to express his/her opinions during the Board meetings. The Chairman and the Independent Non-Executive Directors met at least once without the presence of the other Executive Directors and the Management.

The Board considered the said mechanisms have been operating effectively.

Appointment and Re-Election of The Directors

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

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

The newly appointed Directors will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations. The Company has arranged appropriate insurance cover to indemnify the Directors and officers of the Group for their potential liabilities incurred by them in discharging their duties.

Corporate Governance Functions

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

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

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

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

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

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

The following is a summary of the work performed by the Board on corporate governance functions during 2022:

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

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

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

(d) Reviewed the Board composition.

DIRECTORS' SECURITIES TRANSACTIONS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2022, the Directors confirmed that they have complied with the Code Provision A.6.5 of the Corporate Governance Code in effect in 2022 on Directors' training. During the year, all the Directors have participated in continuous professional development by attending seminars and/or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

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

Notes:

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

BOARD/BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The Company established the Audit Committee, Remuneration Committee and Nomination Committee on November 17, 2007, and established the Quality, Health, Safety and Environment ("QHSE") committee on January 21, 2013 and subsequently upgraded the QHSE Committee to the ESG (Environmental, Social and Governance) Committee on May 21, 2020. During the reporting year, the Company had convened 9 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meetings, 1 Nomination Committee meeting and 1 ESG committee meeting. Also, the Company had convened an Annual General Meeting during the reporting year.

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

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

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

	1st Quarterly Meeting	**2nd Quarterly Meeting**	**3rd Quarterly Meeting**	**4th Quarterly Meeting**
Date	19 January 2022	13 April 2022	11 July 2022	12 October 2022

MONTHLY MANAGEMENT REPORT

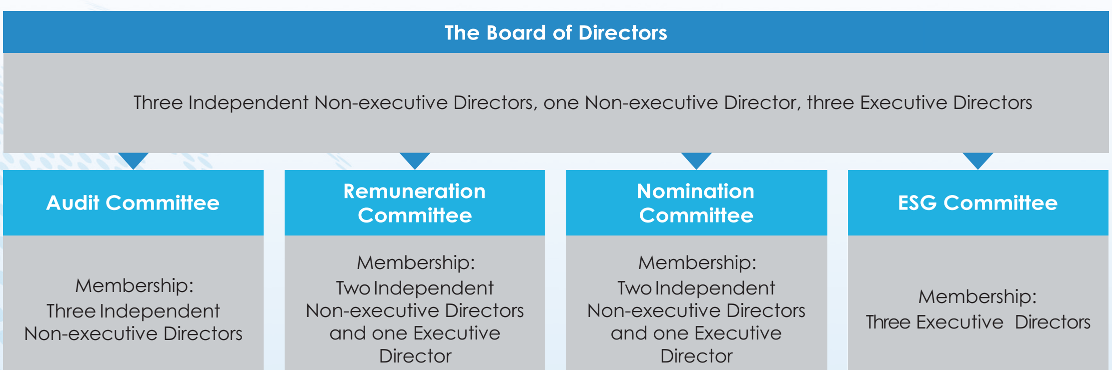
During the inter-sessional period, each Executive Director receives a copy of the financial report and the management report each month, and holds business meetings with the management to obtain information of monthly operating conditions, monitor business progress, and mentor the management with effective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

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

BOARD COMMITTEES

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

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



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

Audit Committee

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

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

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

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

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

The Audit Committee held 2 meetings during 2022 and the following major matters were reviewed and discussed in the meetings:

(a) Reviewed the Group's annual results of 2021 and the interim results of 2022 and made recommendations to the Board for approval;

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

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The major roles and functions of the Remuneration Committee are as follows:

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

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

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

The Remuneration Committee is responsible for ensuring appropriate formality, transparency to the Shareholders and a formal and transparent procedure is in place for developing an appropriate executive remuneration policy and a competitive framework for determining the remuneration packages of Directors and key management personnel. The RC recommends for the Board's endorsement, a framework of remuneration, including but not limited to, fees, salaries, allowances, bonuses, options and benefits-in-kind for the Directors and key management personnel. No Director is involved in any decision-making relating to his/her own compensation. The Company will also engage a third-party remuneration consultant, on a regular basis or as requested by the RC, to review and make recommendations on the remuneration framework and level for the Directors and key management personnel. The Company did not engage a third-party remuneration consultant in FY2022.

The Remuneration Committee held 1 meeting during 2022 and reviewed overall remuneration structure adjustment and the performance based incentive mechanism of the Group.

Nomination Committee

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

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

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

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

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

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

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

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

ii. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

iii. If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

iv. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

v. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee held 1 meeting during 2022 to discuss the current structure of the Board of Directors and discuss the candidates for nominations to the Board of Directors. During the year ended 31 December 2022, no candidate was nominated for directorship.

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

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

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

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

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

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

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

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

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 December 2022 was set out below:

Remuneration ban	Number of individuals
HK$1,500,001 – HK$2,000,000	1

ACCOUNTABILITY AND AUDIT

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

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 63 to 164 of the Independent Auditor's Report.

AUDITOR'S REMUNERATION

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

	2022 **RMB'000**
Audit services	**6,200**
Non-audit services	**170**
Total:	**6,370**

COMPANY SECRETARY

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

In 2022, the Company had convened one annual general meeting (the "2022 AGM"). The 2022 AGM provided an ideal chance for communication between the Board and the shareholders. The Chairmen of the Board, Audit Committee, Remuneration Committee and Nomination Committee and the Company's external auditor were all present at the AGM held on 25 May 2022, to answer shareholders' inquiries.

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

Pursuant to the Article 79 of the Articles of Association of the Company, any two or more members of the Company or any one member of the Company which is a recognized clearing house (or its nominee (s)) holding at the date of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company shall deposit the written requisition at the principal office of the Company in Hong Kong, which is presently situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong specifying the objects of the meeting and signed by the requisitionist(s) (the "Requisitionist(s)").

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company recognises the importance of good communications with its Shareholders and the investment community and also recognises the value of providing current and relevant information to the Shareholders and the investors. The Company has established a Shareholders Communication Policy which is available on the websites of HKEX and the Company.

To facilitate the Shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis on the websites of HKEX and the Company, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable the Shareholders to make informed decisions in respect of their investment in the Company. To ensure a timely and equal disclosure to all its Shareholders, the Company also uploads all its press releases, presentation slides to be used at analyst briefings and other disclosure documents which includes material information on the websites of HKEX and the Company.

The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2022.

The Company proposed to amend its Memorandum and Articles of Association in forthcoming Annual General Meeting ("2023 AGM"). Details of the amendments will be set out in the circular for 2023 AGM to the Shareholders.

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

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

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Telephone: (852) 2862 8628
Fax: (852) 2865 0990
Website: www.computershare.com

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

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

DIVIDEND POLICIES

The Group has adopted a policy on payment of dividend (the "Dividend Policy") since 2019 in compliance with the HK CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after the Board considering the factors, such as: the funding needs to the operation and business development of the Company from time to time; the market situation from time to time; cash flow and financial condition of the Company; the requirements of the Bye-laws and the relevant laws, rules and regulations applicable to the Company; and so on. When assessing the Company's performance for each financial year or interim financial period, the Board shall seek to maintain a steady dividend depending on the capital expenditure and cash flow for each financial year or interim financial period, while smoothing the effect of any variation in the cash flow that may be due to one-off gains or losses in the same period. The Board shall have the full discretion on whether to pay a dividend, subject to the Shareholders' approval, if applicable.

The Board shall review the Dividend Policy on a regular basis.

DISCLAIMERS

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

FINANCIAL CALENDAR 2023

Final Results Announcement For The Year Ended 31 December 2022

26 March 2023

Last Day to Register for Attending 2023 Annual General Meeting

19 May 2023

2023 Annual General Meeting

25 May 2023

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 164, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from provision of services	
We identified revenue recognition from provision of services as a key audit matter due to the significance of revenue generated from provision of services and the inherent risk of manipulating revenue recognition from provision of services by the management. As disclosed in Note 21, the Group is mainly engaged in provision of services through contracts with its customers. Revenue from provision of services amounting to RMB3,015,228,000 for the year ended 31 December 2022 accounted for 85.8% of the Group's total revenue in the consolidated statement of profit or loss. Details of revenue recognition from provision of services and its accounting policies are set out in Note 21 and Note 3, respectively, to the consolidated financial statements.	Our procedures in relation to revenue recognition from provision of services included: • understanding and evaluating the key internal controls relevant to the audit on revenue recognition from provision of services; • examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations and the associated revenue recognition; • obtaining confirmations for the services provided to the selected major customers; and • inspecting, on a sample basis, the customer acceptance documents, the contracts and invoices evidencing that the performance obligations of services were satisfied and control was transferred.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Notes	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,970,846**	1,997,604
Right-of-use assets	7	**134,089**	103,469
Investment properties		**5,294**	–
Goodwill	8	**253,630**	242,004
Intangible assets	9	**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	33.4	**30,000**	–
Prepayments and other receivables	12	**118,559**	55,017
Deferred income tax assets		**20,851**	19,140
		2,880,925	2,709,437
Current assets			
Inventories	10	**933,832**	944,959
Trade and notes receivables	11	**2,034,610**	2,096,280
Contract assets	21(ii)(a)	**22,486**	20,699
Prepayments and other receivables	12	**905,041**	789,912
Restricted bank deposits	13	**477,997**	414,892
Cash and cash equivalents	13	**727,904**	1,173,186
		5,101,870	5,439,928
Total assets		**7,982,795**	8,149,365
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	**276,274**	276,274
Reserves	15	**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

As at 31 December 2022
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Notes	As at 31 December **2022**	2021
LIABILITIES			
Non-current liabilities			
Long-term bonds	16	**801,835**	929,984
Long-term borrowings	17	**47,113**	48,152
Lease liabilities	18	**28,499**	8,236
Deferred income tax liabilities		**13,586**	9,748
		891,033	996,120
Current liabilities			
Short-term borrowings	17	**1,139,732**	718,125
Current portion of long-term bonds	16	**30,771**	1,164,144
Current portion of long-term borrowings	17	**48,617**	83,195
Trade and notes payables	19	**1,449,092**	1,525,467
Accruals and other payables	20	**861,665**	599,158
Lease liabilities	18	**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

The consolidated financial statements on pages 68 to 164 were approved and authorised for issue by the Board of Directors on 26 March 2023 and were signed on its behalf by:

Chairman
Luo Lin

Executive Director
Pi Zhifeng

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Revenue			
Goods and services	21	**3,310,509**	2,758,541
Rental	21	**204,403**	165,025
Total revenue	21	**3,514,912**	2,923,566
Cost of sales	22	**(2,515,103)**	(2,021,306)
Gross profit		**999,809**	902,260
Other gains, net	23	**153,114**	24,919
Impairment losses under expected credit loss model, net of reversal	24	**43,500**	(45,891)
Selling expenses	22	**(173,324)**	(140,673)
Administrative expenses	22	**(263,983)**	(228,711)
Research and development expenses	22	**(80,277)**	(70,766)
Sales tax and surcharges		**(13,688)**	(11,659)
Operating profit		**665,151**	429,479
Interest income	25	**17,957**	6,205
Finance expenses	25	**(269,250)**	(258,375)
Finance costs, net	25	**(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	27	**(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	28	**0.1013**	0.0249
– Diluted	28	**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)

	Notes	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	15(b)	**(182,165)**	36,633
Financial instruments measured at fair value through other comprehensive income		**4,898**	1,569
Currency translation differences	15(a)	**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 CHANGES IN EQUITY

For the year ended 31 December 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

For the year ended 31 December 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Attributable to the owners of the Company									
	Notes	Share capital	Treasury shares	Share premium	Capital reserve Note 15(d)	Statutory reserve Note 15(c)	Retained earnings	Other reserves	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2022		276,274	(41,868)	1,049,578	479,262	76,900	1,064,753	(217,479)	2,687,420	140,741	2,828,161
Comprehensive income Profit for the year		-	-	-	-	-	293,810	-	293,810	3,781	297,591
Other comprehensive income/(expense)											
- Net investment hedge	15(b)	-	-	-	-	-	-	(182,165)	(182,165)	-	(182,165)
- Financial instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	4,898	4,898	-	4,898
- Currency translation differences	15(a)	-	-	-	-	-	-	338,238	338,238	-	338,238
Total comprehensive income		-	-	-	-	-	293,810	160,971	454,781	3,781	458,562
- Repurchase of ordinary shares	14	-	(11,207)	-	-	-	-	-	(11,207)	-	(11,207)
- Share option scheme and restricted share award scheme	14	-	-	-	24,070	-	-	-	24,070	-	24,070
- Vesting of shares under restricted share award scheme		-	19,616	-	(19,616)	-	-	-	-	-	-
- Acquisition of a subsidiary	34	-	-	-	-	-	-	-	-	2,080	2,080
- Changes in ownership interests in subsidiaries without loss of control	20	-	-	-	-	-	-	81,690	81,690	73,590	155,280
- Recognition of put option	20	-	-	-	-	-	-	(155,280)	(155,280)	-	(155,280)
- Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(857)	(857)
Total transactions with owners, recognised directly in equity		-	8,409	-	4,454	-	-	(73,590)	(60,727)	74,813	14,086
Balance at 31 December 2022		276,274	(33,459)	1,049,578	483,716	76,900	1,358,563	(130,098)	3,081,474	219,335	3,300,809

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Cash flows from operating activities			
Net cash inflows from operations	30	**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	34	**(20,438)**	–
Purchases of financial assets at fair value through profit or loss	33.4	**(30,000)**	–
Cash paid relating to other investing activities	12	**(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	12	**(11,245)**	–
Proceeds from disposal of interests in a subsidiary without loss of control	20	**155,280**	–
Proceeds from share options exercised		**-**	6
Repurchase of ordinary shares	14	**(11,207)**	(19,438)
Placement of restricted bank deposits	13	**(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

(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.

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2024.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

Separate financial statements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

Segment reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

Intangible assets

Computer software

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Patents

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Debt instruments/receivables classified as at FVTOCI

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

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains, net" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables from goods and services from private and relatively small customers are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

Offsetting financial instruments

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

Financial liabilities and equity

Classification as debt or equity

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

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

Share capital

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

Hedging activities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Hedging activities *(Continued)*

Assessment of hedging relationship and effectiveness

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

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

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

Net investment hedge

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

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

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

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits.

Borrowing costs

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

Current and deferred income tax

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

Current income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current and deferred income tax *(Continued)*

Deferred income tax

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

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

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

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

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

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

Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension and other social obligations

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

Share-based compensation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Treasury shares and restricted share award scheme

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

Output method

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

Sublease

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

Government grants

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

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

Dividend distribution

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

The provision of ECL is sensitive to changes in estimates. In estimating the provision of ECL, the management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. As at 31 December 2022, the carrying amount of trade receivables from goods and services was RMB1,851,369,000 (31 December 2021: RMB1,916,216,000), already net of accumulated expected credit loss of RMB265,433,000 (31 December 2021: RMB314,381,000). The information about the ECL and the Group's trade receivables from goods and services are disclosed in Note 33.2(b)(i) and Note 11.

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

(b) Impairment of inventory

Inventories are reviewed for impairment whenever events or changes in circumstances cause their cost to exceed their net realisable value. Cost is determined on the weighted average basis. The determination of net realisable value of the inventories requires the use of estimates. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the net realisable value of inventories and a provision may be made or reversed in the year in which these estimates have been changed. As at 31 December 2022, the carrying amount of inventories was RMB933,832,000 (31 December 2021: RMB944,959,000), already net of accumulated impairment loss of RMB137,353,000 (31 December 2021: RMB127,490,000).

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculations require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, a material impairment loss may arise. As at 31 December 2022, the carrying amount of goodwill was RMB253,630,000 (2021: RMB242,004,000), already net of accumulated impairment loss of RMB26,325,000 (2021: RMB26,325,000). Details of the key assumptions used by the management in goodwill impairment assessment are set out in Note 8.

5. SEGMENT INFORMATION

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

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

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.

5. SEGMENT INFORMATION *(Continued)*

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

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

5. SEGMENT INFORMATION *(Continued)*

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
For the year ended 31 December 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

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

5. SEGMENT INFORMATION *(Continued)*

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
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.

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

5. SEGMENT INFORMATION *(Continued)*

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).

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

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures, leasehold improvements and others	Construction-in-progress	Total
As at 1 January 2021						
Cost	772,651	2,413,947	57,604	147,323	272,922	3,664,447
Accumulated depreciation	(169,175)	(1,254,129)	(42,893)	(98,860)	–	(1,565,057)
Carrying values	603,476	1,159,818	14,711	48,463	272,922	2,099,390
Year ended 31 December 2021						
As at 1 January 2021	603,476	1,159,818	14,711	48,463	272,922	2,099,390
Additions	–	29,014	384	2,797	162,544	194,739
Transfer in/(out)	15,880	234,953	1,956	7,740	(260,529)	–
Depreciation charge	(33,588)	(221,893)	(3,458)	(11,275)	–	(270,214)
Disposals	–	(6,516)	(67)	(618)	–	(7,201)
Currency translation differences	(2,628)	(11,814)	(100)	(449)	(4,119)	(19,110)
As at 31 December 2021	583,140	1,183,562	13,426	46,658	170,818	1,997,604
As at 31 December 2021						
Cost	784,700	2,622,790	58,317	155,410	170,818	3,792,035
Accumulated depreciation	(201,560)	(1,439,228)	(44,891)	(108,752)	–	(1,794,431)
Carrying values	583,140	1,183,562	13,426	46,658	170,818	1,997,604
Year ended 31 December 2022						
As at 1 January 2022	**583,140**	**1,183,562**	**13,426**	**46,658**	**170,818**	**1,997,604**
Additions	**-**	**96**	**-**	**794**	**163,913**	**164,803**
Acquisition of a subsidiary (Note 34)	**15,092**	**500**	**45**	**47**	**-**	**15,684**
Transfer in/(out)	**79,327**	**188,165**	**8,254**	**22,345**	**(298,091)**	**-**
Depreciation charge	**(39,472)**	**(227,677)**	**(4,208)**	**(9,447)**	**-**	**(280,804)**
Disposals	**-**	**(1,839)**	**(100)**	**(1)**	**-**	**(1,940)**
Currency translation differences	**12,197**	**50,641**	**448**	**2,414**	**9,799**	**75,499**
As at 31 December 2022	**650,284**	**1,193,448**	**17,865**	**62,810**	**46,439**	**1,970,846**
As at 31 December 2022						
Cost	**897,337**	**2,889,792**	**66,080**	**182,149**	**46,439**	**4,081,797**
Accumulated depreciation	**(247,053)**	**(1,696,344)**	**(48,215)**	**(119,339)**	**-**	**(2,110,951)**
Carrying values	**650,284**	**1,193,448**	**17,865**	**62,810**	**46,439**	**1,970,846**

During the year ended 31 December 2022, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB230,044,000 (2021: RMB225,081,000), selling, general and administrative expenses with an amount of RMB29,094,000 (2021: RMB25,455,000), and cost of inventories which remained unsold as at year end with an amount of RMB21,666,000 (2021: RMB19,678,000), respectively.

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

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

As at 31 December 2022, long-term borrowings were secured by certain buildings with a carrying value of RMB85,917,000 (31 December 2021: RMB84,203,000) (Note 17(a)).

The Group as lessor

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

Year ended 31 December 2021	
As at 1 January 2021	105,156
Additions	6,334
Disposals	(5,438)
Depreciation charge	(26,997)
As at 31 December 2021	79,055
As at 31 December 2021	
Cost	193,440
Accumulated depreciation	(114,385)
Carrying values	79,055
Year ended 31 December 2022	
As at 1 January 2022	**79,055**
Additions	**62,889**
Depreciation charge	**(21,584)**
As at 31 December 2022	**120,360**
As at 31 December 2022	
Cost	**256,329**
Accumulated depreciation	**(135,969)**
Carrying values	**120,360**

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

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

7. RIGHT-OF-USE ASSETS

	Leasehold lands	Equipment	Buildings	Total
Year ended 31 December 2021				
As at 1 January 2021	73,703	42,665	21,583	137,951
Additions	–	292	2,320	2,612
Depreciation charge	(1,932)	(20,421)	(14,741)	(37,094)
Carrying values				
As at 31 December 2021	71,771	22,536	9,162	103,469
Year ended 31 December 2022				
As at 1 January 2022	**71,771**	**22,536**	**9,162**	**103,469**
Additions	**-**	**10,127**	**38,622**	**48,749**
Acquisition of a subsidiary (Note 34)	**11,340**	**-**	**-**	**11,340**
Depreciation charge	**(2,035)**	**(14,793)**	**(12,641)**	**(29,469)**
Carrying values				
As at 31 December 2022	**81,076**	**17,870**	**35,143**	**134,089**

During the current and prior years, the Group entered into new lease agreements for the use of buildings and equipment for 2 to 5 years (2021: 1 to 4 years) with extension and termination options. The Group is required to make fixed quarterly, semi-annually or annually payments during the contract periods. On lease commencement, the Group recognised RMB48,749,000 (2021: RMB2,612,000) of right-of-use assets and RMB48,749,000 (2021: RMB2,612,000) lease liabilities. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except for the leasehold lands may not be used as security for borrowing purposes.

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

During the year ended 31 December 2022, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB27,103,000 (2021: RMB34,945,000) and cost of inventories which remained unsold as at year end with an amount of RMB2,366,000 (2021: RMB2,149,000), respectively.

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

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

During the year ended 31 December 2022, the expense relating to short-term leases and leases of low-value assets amounts to RMB108,064,000 (2021: RMB117,522,000).

During the year ended 31 December 2022, the total cash outflow for leases amounts to RMB181,446,000 (2021: RMB114,875,000), consisting of RMB35,338,000 (2021: RMB40,170,000) paid for lease liabilities and RMB146,108,000 (2021: RMB74,705,000) paid for short-term leases and other leases with lease terms end within 12 months.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB3,677,000 (2021: Nil) in which the Group is in the process of obtaining.

As at 31 December 2022, the outstanding lease commitment relating to short-term leases of certain equipment and buildings is RMB6,823,000 (2021: RMB12,998,000).

As at 31 December 2022, certain long-term borrowings were secured by right-of-use assets (leasehold lands) with a carrying value of RMB5,681,000 (31 December 2021: RMB5,392,000) (Note17(a)).

8. GOODWILL

Cost	
At 1 January 2021 and 31 December 2021	268,329
Arising on acquisition of a subsidiary (Note 34)	11,626
At 31 December 2022	**279,955**
IMPAIRMENT	
At 1 January 2021, 31 December 2021 and 2022	(26,325)
CARRYING VALUES	
At 31 December 2022	**253,630**
At 31 December 2021	242,004

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

8. GOODWILL *(Continued)*

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

As at 31 December 2022	**Inspection services**	**Oilfield technical services**	**Total**
Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司, "Shandong Precede")	**–**	**132,486**	**132,486**
Beijing Haineng Haite Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, "Beijing Haineng Haite")	**–**	**106,886**	**106,886**
Anton Machinery and Meter Testing Co., Ltd. (安東儀器儀表檢測服務有限公司, "Anton Testing")	**2,632**	**–**	**2,632**
Suining Xingyuan Oil & Gas Development Co., Ltd. 遂甯興源油氣開發有限公司, "Suining Xingyuan")	**–**	**11,626**	**11,626**
	2,632	**250,998**	**253,630**

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

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

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using 2% growth rates after considering the inflation factor. Based on the assessments, no goodwill was further impaired as at 31 December 2022.

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

8. GOODWILL *(Continued)*

The key assumptions used for value-in-use calculations in 2022 of Shandong Precede and Beijing Haineng Haite are as follows:

As at 31 December 2022	**Shandong Precede**	**Beijing Haineng Haite**
Gross margin	**15.97%**	**17.20%**
Discount rate	**13.87%**	**13.86%**

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

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

Except for the accumulated impairment loss already recognised, management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed their recoverable amount as of 31 December 2022.

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

9. INTANGIBLE ASSETS

As at 31 December 2022 and 2021	Patents	Computer software	Total
As at 1 January 2021			
Cost	451,662	83,945	535,607
Accumulated amortisation	(210,885)	(51,070)	(261,955)
Carrying value	240,777	32,875	273,652
Year ended 31 December 2021			
As at 1 January 2021	240,777	32,875	273,652
Additions	52,099	3,812	55,911
Amortisation charge	(39,634)	(4,450)	(44,084)
As at 31 December 2021	253,242	32,237	285,479
As at 31 December 2021			
Cost	503,761	87,757	591,518
Accumulated amortisation	(250,519)	(55,520)	(306,039)
Carrying value	253,242	32,237	285,479
Year ended 31 December 2022			
As at 1 January 2022	**253,242**	**32,237**	**285,479**
Additions	**74,212**	**1,049**	**75,261**
Amortisation charge	**(39,225)**	**(3,900)**	**(43,125)**
As at 31 December 2022	**288,229**	**29,386**	**317,615**
As at 31 December 2022			
Cost	**577,973**	**88,806**	**666,779**
Accumulated amortisation	**(289,744)**	**(59,420)**	**(349,164)**
Carrying value	**288,229**	**29,386**	**317,615**

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

10. INVENTORIES

	As at 31 December	
	2022	2021
Project materials, spare parts and other materials	**618,429**	658,488
Project-in-progress	**315,403**	286,471
	933,832	944,959

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

	2022	2021
As at 1 January	**(127,490)**	(103,203)
Addition	**(13,142)**	(24,287)
Write-off	**3,279**	–
As at 31 December	**(137,353)**	(127,490)

11. 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

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

11. TRADE AND NOTES RECEIVABLES *(Continued)*

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) (Note 17(a)).

(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.

Details of impairment assessment of trade receivables and notes receivable for the year ended 31 December 2022 and 2021 are set out in Note 33.2(b)(i) and Note 33.2(b)(iii) respectively.

(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.

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

11. TRADE AND NOTES RECEIVABLES *(Continued)*

Notes: *(Continued)*

(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

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
Current		
Advances to suppliers	**326,719**	215,524
Deposits and other receivables	**530,250**	539,786
Value-added tax recoverable	**48,072**	34,602
	905,041	789,912
Non-current		
Value-added tax recoverable	**9,958**	19,907
Advances to engineering equipment suppliers	**49,646**	35,110
Prepayments for acquisition of additional equity interest in a subsidiary	**11,245**	–
Other receivables	**47,710**	–
	118,559	55,017

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

12. PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December	
	2022	2021
1 – 6 months	**606,200**	493,271
6 months – 1 year	**186,662**	137,090
1 – 2 years	**92,241**	104,162
2 – 3 years	**20,969**	52,292
Over 3 years	**50,048**	48,728
	956,120	835,543
Less: allowance for impairment (a)	**(51,079)**	(45,631)
Prepayments and other receivables, net	**905,041**	789,912

Notes:

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

	2022	2021
As at 1 January	**(45,631)**	(45,631)
Additions	**(5,448)**	–
As at 31 December	**(51,079)**	(45,631)

Details of impairment assessment of other receivables for the year ended 31 December 2022 and 2021 are set out in Note 33.2(b)(ii).

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

13. CASH AND BANK

	As at 31 December	
	2022	2021
Restricted bank deposits (a)	**477,997**	414,892
Cash and cash equivalents		
– Cash on hand	**7,495**	16,621
– Deposits in bank	**720,409**	1,156,565
	1,205,901	1,588,078

Notes:

(a) As at 31 December 2022, bank deposits amounting to RMB426,172,000 (31 December 2021: RMB414,892,000) and RMB51,825,000 were held as security for letter of guarantee and issuance of notes payable and for securing short-term bank borrowings (Note 17(a)), respectively. The restricted bank deposits carried a fixed interest rate at 0.25% per annum as at 31 December 2022 (2021: 0.30% per annum).

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

	As at 31 December	
	2022	2021
RMB	**895,136**	864,312
US$	**272,243**	687,822
Hong Kong dollar ("HK$")	**1,973**	2,873
Others	**36,549**	33,071
	1,205,901	1,588,078

(c) As at 31 December 2022, cash and cash equivalents were bank deposits mainly bearing market interest rate at 0.25% per annum (31 December 2021: 0.3% per annum).

(d) Details of impairment assessment of restricted bank deposits and deposits in bank for the year ended 31 December 2022 and 2021 are set out in Note 33.2(b)(iii).

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

14. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares issued and fully paid of HK$0.1 each (thousands)	Share capital HK$'000	Share capital RMB'000
Ordinary shares issued and fully paid:			
As at 1 January 2021	3,006,563	300,656	276,273
Exercise of share options (i)	8	1	1
As at 31 December 2021 and 2022	3,006,571	300,657	276,274

Notes:

(i) Share options

In prior years, options to subscribe for certain shares have been conditionally granted to the Directors and key employees. Most of the shares have a 3-year vesting period, 33.33% each exercisable per year, on the premises of achieving the performance conditions of the Group set out in the share option scheme. The options have an option period of 6 years.

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

	Average exercise price in HK$ per share	Number of share options (thousands)
As at 1 January 2021		441,425
Exercised	0.740	(8)
Forfeited	0.868	(12,164)
As at 1 January 2022		429,253
Forfeited	0.849	(8,530)
Expired	0.754	(85,414)
As at 31 December 2022		335,309

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

Notes: *(Continued)*

(i) Share options *(Continued)*

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

Expiry date	**Exercise price HK$ per share**	**Number of share options (thousands) As at 31 December 2022**
22 May 2023	0.810	85,722
2 April 2024	1.020	56,333
6 January 2025	0.790	79,814
31 March 2026	0.495	113,440
		335,309

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

As of 31 December 2022, out of the 335,309,000 options (31 December 2021: 429,253,000 options), 297,496,000 options (31 December 2021: 326,041,000 options) were exercisable. Options exercised in 2021 resulted in 8,000 shares being issued at a weighted average price of HK$0.740 each. The related weighted average share price at the time of exercise was HK$0.820 per share in 2021.

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2022 for share options amounted to RMB3,723,000 (31 December 2021: RMB7,229,000), with a corresponding amount credited in capital reserve.

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

Notes: *(Continued)*

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

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

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

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

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

In 2022, the Company repurchased 29,004,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK$0.450 to HK$0.475. The aggregate consideration paid was RMB11,207,000.

On 1 January 2021, 86,430,000 shares with the fair value of HK$0.435 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 5 months to 29 months.

On 15 July 2022, 75,730,000 shares with the fair value of HK$0.410 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 3 months to 27 months.

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

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

Notes: *(Continued)*

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

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

	Number of restricted shares (thousands)
As at 1 January 2021	–
Granted (on 1 Jan 2021)	86,430
Vested	(29,710)
Forfeited	(2,367)
As at 31 December 2021	54,353
As at 1 January 2022	**54,353**
Granted (on 15 July 2022)	**75,730**
Vested	**(53,237)**
Forfeited	**(1,300)**
As at 31 December 2022	**75,546**

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2022 for the Scheme amounted to RMB20,347,000 (31 December 2021: RMB20,646,000), with a corresponding amount credited in capital reserve.

15. RESERVES

(a) Translation reserve

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
At 1 January	**(225,894)**	(168,339)
Currency translation differences	**338,238**	(57,555)
At 31 December	**112,344**	(225,894)

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

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

15. RESERVES *(Continued)*

(b) Hedging reserve

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
At 1 January	**(419)**	(37,052)
Net investment hedge	**(182,165)**	36,633
At 31 December	**(182,584)**	(419)

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

During the year ended 31 December 2022, with the repurchase and repayment of long-term bonds, the Group rebalanced the hedging relationship to meet the qualifying criteria on 1 October 2022, and then the Group's US$ denominated long-term bonds amounting to US$115,130,000 (2021: US$248,198,000) was redesignated as hedging instrument for the US$ denominated net investment in the Group's overseas subsidiaries. For the year ended 31 December 2022, foreign exchange translation loss of RMB182,165,000 (2021: gain of RMB36,633,000) on the hedging instrument was recognised as other comprehensive income as a debit (2021: credit) in other reserves.

(c) Statutory reserve

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

(d) Capital reserve

Capital reserve represents share-based payments reserve and capital injection before listing by shareholders. As at 31 December 2022, included in the balance of capital reserve, there is RMB248,254,000 (31 December 2021: RMB243,800,000) share-based payments reserve and RMB235,462,000 (31 December 2021: RMB235,462,000) capital injection before listing by shareholders.

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

16. LONG-TERM BONDS

Issue date	Par value	Coupon rate	As at 31 December 2022	As at 31 December 2021	Effective interest rate
2 December 2019 (a)	–	7.50%	-	1,128,114	8.91%
26 July 2021 (b)	US$61.9 million	8.75%	**441,334**	401,440	8.91%
26 July 2021 (b)	US$55.4 million	8.75%	**391,272**	564,574	10.25%
Subtotal			**832,606**	2,094,128	
Less: Current portion			**(30,771)**	(1,164,144)	
			801,835	929,984	

Notes:

(a) The Company issued US$300 million senior notes with the coupon rate of 7.50% at discount of par value on 2 December 2019. The notes mature in 3 years from the issue date at their nominal value. After the repurchase and exchange in prior years, the outstanding par value on 1 January 2022 was US$177.5 million, in which US$93.8 million were repurchased in 2022. Interest is payable on a semi-annually basis. As at the due date, the Company fully repaid the remaining principal amount of US$83.7 million for all rest outstanding notes.

(b) The Company issued US$150 million senior notes with the coupon rate of 8.75% at discount of par value on 26 July 2021. The notes mature in 3.5 years from the issue date at their nominal value. In 2021, US$61.9 million were arranged to exchange the senior notes issued on 2 December 2019, followed by US$32.7 million being repurchased out of US$88.1 million in 2022. Interest is payable on a semi-annually basis. As at 31 December 2022, interest payable amounted to approximately RMB30.8 million (31 December 2021: RMB36.0 million).

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

17. BORROWINGS

	As at 31 December			
	2022 Amount	**2022 Interest Rate**	2021 Amount	2021 Interest Rate
Long-term borrowings				
– Secured or guaranteed				
– RMB denominated (a)	**95,730**	**6.70%-6.90%**	131,347	4.25%-6.90%
Less: Current portion	**(48,617)**		(83,195)	
	47,113		48,152	
Short-term bank borrowings				
– Unsecured and unguaranteed				
– RMB denominated	**175,421**	**4.70%-4.90%**	100,196	4.83%-5.10%
– Secured or guaranteed				
– RMB denominated (a)	**964,311**	**3.65%-6.00%**	617,929	4.35%-6.00%
	1,139,732		718,125	

	As at 31 December	
	2022	2021
The carrying amounts of the above borrowings are repayable:		
– Within one year	**1,188,349**	801,320
– More than one year but not exceeding two years	**47,113**	48,152
	1,235,462	849,472
Less: Amount due for settlement within one year and shown under current liabilities	**(1,188,349)**	(801,320)
Amount due after one year	**47,113**	48,152

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

	As at 31 December	
	2022	2021
Fixed-rate borrowings	**1,187,347**	814,378
Variable-rate borrowings	**48,115**	35,094
	1,235,462	849,472

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

17. BORROWINGS *(Continued)*

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

	Year ended 31 December	
	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**3.65%-6.90%**	4.35%-6.90%
Variable-rate borrowings	**6.70%**	4.25%

Notes:

(a) As at 31 December 2022, secured long-term bank borrowings of RMB95,730,000 (31 December 2021: RMB96,253,000) were secured by the Group's buildings with a carrying value of RMB85,917,000 (31 December 2021: RMB84,203,000) (Note 6) and right-of-use assets (leasehold lands) with a carrying value of RMB5,681,000 (31 December 2021: RMB5,392,000) respectively (Note 7).

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

As at 31 December 2022, secured short-term bank borrowings of RMB318,764,000 (31 December 2021: RMB212,288,000) were secured by the Group's trade receivables amounting to RMB318,764,000 (31 December 2021: RMB222,786,000) (Note 11(c)).

As at 31 December 2022, short-term bank borrowings of RMB595,547,000 (31 December 2021: RMB405,641,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 35(b)).

As at 31 December 2022, short-term bank borrowings of RMB50,000,000 were secured by the restricted bank deposits amounting to RMB51,825,000 (Note 13(a)).

(b) As at 31 December 2022, the undrawn bank borrowing facilities of the Group of approximately RMB1,043 million (31 December 2021: RMB803 million), with maturity dates up to 16 March 2024 (31 December 2021: 26 September 2023), were unsecured (31 December 2021: unsecured).

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

18. LEASE LIABILITIES

	As at 31 December 2022	As at 31 December 2021
Lease liabilities payable:		
Within one year	**20,515**	24,426
One to two years	**9,916**	4,222
Two to five years	**18,583**	4,014
	49,014	32,662
Less: Amount due for settlement with 12 months shown under current liabilities	**(20,515)**	(24,426)
Amount due for settlement after 12 months shown under non-current liabilities	**28,499**	8,236

19. 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

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

19. TRADE AND NOTES PAYABLES *(Continued)*

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

20. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
Payroll and welfare payables	**56,762**	40,902
Taxes other than income taxes payable	**31,820**	23,057
Payables to equipment venders	**313,761**	298,909
Consideration payable for acquisition of a subsidiary (Note 34)	**30,687**	–
Liabilities arising from put option of non-controlling interest (Note)	**155,280**	–
Others	**273,355**	236,290
	861,665	599,158

Note:

On 31 December 2022, the Company, Anton Oilfield Services Company Limited ("Anton Limited") (a subsidiary of the Company), Anton (Beijing) New Energy Technical Company Limited ("Anton New Energy") (a subsidiary of the Company) and T-ALL Inspection Group Co., Ltd ("T-ALL Inspection") entered into an agreement with 寶武綠碳私募投資基金(上海)合夥企業(有限合夥) and 共青城山證通奧啟航股權投資合夥企業(有限合夥) (the "Investors"), two third parties, pursuant to which Anton Limited and Anton New Energy transferred a total of 11.97% interest in T-ALL Inspection to the Investors at a consideration of RMB155,280,000. T-ALL Inspection was an indirect wholly-owned subsidiary of the Company before 31 December 2022. The Group recognised an increase in non-controlling interests by RMB73,590,000 and an increase in equity attributable to owners of the Company of RMB81,690,000.

Pursuant to the agreement signed on 31 December 2022, the Investors have the right to request the Company to repurchase the 11.97% equity interest at the original price with a premium of interest at 10% per annum if T-ALL Inspection failed to fulfil the profit and other commitments as prescribed in the agreement. Therefore the Group recognised financial liabilities amounting to RMB155,280,000 by debiting to other reserve as at 31 December 2022, bearing interest at 10% per annum.

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

21. 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**

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

21. REVENUE *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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

	For the year ended 31 December 2022			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Revenue disclosed in segment information				
External customers (Note 5)	**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

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

21. REVENUE *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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

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

(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.

21. REVENUE *(Continued)*

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

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

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

b. Provision of oilfield management services

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

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

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

c. Sales of oilfield-related goods

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

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

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

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

21. REVENUE *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 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

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

22. 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 (Note 14)	**24,070**	27,875
Depreciation	**332,355**	330,488
In which:		
– Property, plant and equipment (Note 6)	**300,482**	291,112
– Right-of-use assets (Note 7)	**31,618**	39,376
– Investment properties	**255**	–
Less: Capitalised in inventories (Note 6) (Note 7)	**(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

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

23. OTHER GAINS, NET

	Year ended 31 December	
	2022	2021
Government grants and subsidies (a)	**8,367**	5,147
(Loss)/gains on disposal of property, plant and equipment	**(252)**	219
Gains/(loss) on repurchase of long-term bonds (Note 16) (Note 30)	**129,301**	(10,232)
Loss on non-substantial modification of long-term bonds (Note 16) (Note 30)	**-**	(6,965)
Value added tax preferences	**9,014**	37,030
Others	**6,684**	(280)
	153,114	24,919

Note:

(a) Government grants and subsidies of RMB8,367,000 (2021: RMB5,147,000) were received in the current year towards awarding of research and development expenditures.

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

	Year ended 31 December	
	2022	2021
Impairment losses recognised/(reversed) on:		
– Trade receivables – goods and services	**(48,948)**	45,891
– Other receivables	**5,448**	–
	(43,500)	45,891

Details of impairment assessment for the year ended 31 December 2022 and 2021 are set out in Note 33.2(b).

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

25. 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)

26. STAFF COSTS

	Year ended 31 December	
	2022	2021
Wages, salaries and allowances	**675,396**	598,704
Housing subsidies (a)	**14,192**	12,636
Contributions to pension plans (b)	**31,045**	23,072
Share option costs		
– equity settled share-based payment (Note 14)	**24,070**	27,875
Welfare and other expenses	**52,446**	52,270
	797,149	714,557

Notes:

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

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

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under the schemes which may be used by the Group to reduce the contribution payable in future years.

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

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

26. STAFF COSTS *(Continued)*

Notes: *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2021: three) Directors whose emoluments are reflected in the analysis shown in Note 38. The emolument payable to the other two (2021: two) individuals during the year were as follows:

	Year ended 31 December	
	2022	2021
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,877**	3,680
Contributions to pension schemes	**115**	105
	4,992	3,785

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emoluments bands		
HK$2,000,001 – HK$2,500,000	**–**	2
HK$2,500,001 – HK$3,500,000	**2**	–
	2	2

(d) During the years ended 31 December 2022 and 2021, no Directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

27. 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.

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

27. INCOME TAX EXPENSE *(Continued)*

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

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

28. 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

29. 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).

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

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to net cash inflows generated from operations:

	Note	Year ended 31 December 2022	2021
Profit for the year		**297,591**	75,350
Adjustments for:			
Property, plant and equipment			
– Depreciation charge		**278,816**	271,434
– Loss/(gains) on disposals		**252**	(219)
Gains/(loss) on repurchase of long-term bonds	23	**(129,301)**	10,232
Loss on non-substantial modification of long-term bonds	23	**-**	6,965
Depreciation of right-of-use assets		**29,252**	37,227
Amortisation of intangible assets		**42,762**	44,307
Depreciation of investment properties		**255**	–
(Reversal)/addition of impairment of receivables		**(43,500)**	45,891
Addition of impairment of inventories		**13,142**	24,287
Charge of share option scheme and restricted share award scheme		**24,070**	27,875
Share of loss of a joint venture		**307**	1,243
Share of profit of associates		**(6,951)**	(18)
Net foreign exchange loss/(gain)		**6,659**	(3,573)
Interest income		**(17,957)**	(6,205)
Interest expenses		**224,095**	236,239
Income tax expense		**122,911**	100,734
Operating cash flows before movements in working capital		**842,403**	871,769
Changes in working capital:			
– Inventories		**604**	(40,204)
– Trade and notes receivables		**364,001**	(40,657)
– Contract assets		**(1,787)**	9,919
– Prepayments and other receivables and value-added tax recoverable		**(98,336)**	(177,486)
– Trade and notes payables		**(86,159)**	114,611
– Accruals and other payables		**59,327**	39,105
– Contract liabilities		**(16,159)**	(4,582)
– Restricted bank deposits		**(11,280)**	39,277
Net cash inflows from operations		**1,052,614**	811,752

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

31. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings Note 17	**Long-term bonds Note 16**	**Accruals and other payables Note 20**	**Prepayments and other receivables Note 12**	**Restricted bank deposits Note 13**	**Lease liabilities Note 18**	**Total**
As at 1 January 2022	**849,472**	**2,094,128**	**-**	**-**	**-**	**32,662**	**2,976,262**
Financing cash flows	**331,001**	**(1,502,847)**	**155,280**	**(11,245)**	**(51,825)**	**(35,338)**	**(1,114,974)**
New leases entered (Note 7)	**-**	**-**	**-**	**-**	**-**	**48,749**	**48,749**
Currency translation differences	**-**	**204,461**	**-**	**-**	**-**	**-**	**204,461**
Interest expenses	**54,989**	**166,165**	**-**	**-**	**-**	**2,941**	**224,095**
Gains on repurchase of long-term bonds (Note 23) (Note 30)	**-**	**(129,301)**	**-**	**-**	**-**	**-**	**(129,301)**
As at 31 December 2022	**1,235,462**	**832,606**	**155,280**	**(11,245)**	**(51,825)**	**49,014**	**2,209,292**

	Borrowings Note 17	Long-term bonds Note 16	Accruals and other payables	Prepayments and other receivables Note 12	Restricted bank deposits	Lease liabilities Note 18	Total
As at 1 January 2021	1,058,980	1,866,659	–	(13,500)	–	66,155	2,978,294
Financing cash flows	(263,836)	77,826	–	13,500	–	(40,170)	(212,680)
New leases entered (Note 7)	–	–	–	–	–	2,612	2,612
Currency translation differences	–	(45,400)	–	–	–	–	(45,400)
Interest expenses	54,328	177,846	–	–	–	4,065	236,239
Loss on repurchase of long-term bonds (Note 23) (Note 30)	–	10,232	–	–	–	–	10,232
Loss on non-substantial modification of long-term bonds (Note 23) (Note 30)	–	6,965	–	–	–	–	6,965
As at 31 December 2021	849,472	2,094,128	–	–	–	32,662	2,976,262

Major non-cash transactions

In 2021, the Group issued new long-term bonds to exchange certain long-term bonds issued in prior year (Note 16(b)) and such non-cash transaction has been excluded from the financing activities of the consolidated statement of cash flows.

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

32. COMMITMENTS

Capital commitments

Capital commitments related to investments in property, plant and equipment at the reporting date but not yet provided for in the consolidated statement of financial position were as follows:

	As at 31 December	
	2022	2021
Contracted but not provided for	**56,322**	71,710

33. FINANCIAL RISK MANAGEMENT

33.1 Categories of financial instruments

	As at 31 December	
	2022	2021
Financial assets		
Amortised cost		
– Cash and cash equivalents	**727,904**	1,173,186
– Restricted bank deposits	**477,997**	414,892
– Included in trade and notes receivables	**1,851,369**	1,916,216
– Included in prepayments and other receivables	**537,102**	498,295
Fair value through other comprehensive income		
– Notes receivable	**132,090**	137,130
Fair value through profit or loss		
– Financial assets at FVTPL	**30,000**	–
	3,756,462	4,139,719

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.1 Categories of financial instruments *(Continued)*

	As at 31 December	
	2022	2021
Financial liabilities		
Amortised cost		
– Trade and notes payables	**1,449,092**	1,525,467
– Included in accruals and other payables	**824,596**	572,565
– Borrowings	**1,235,462**	849,472
– Long-term bonds	**832,606**	2,094,128
	4,341,756	5,041,632

33.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses non-derivative financial instruments (US$ denominated long-term bonds) (Note 15(b)) to hedge certain foreign currency risk exposure.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has purchases from and sales to overseas parties. During the year ended 31 December 2022, the Group developed its businesses overseas with most of the transactions denominated and settled in US$. Foreign exchange risk also arise from certain bank deposits and long-term bonds denominated in US$. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

As at 31 December 2022, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit after income tax (2021: profit after income tax) for the year would have been RMB2,119,000 lower/higher (2021: RMB8,637,000 higher/lower) and equity reserves would have been RMB73,877,000 lower/higher (2021: RMB102,113,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$-denominated cash and bank, trade and other receivables, trade and other payables, long-term bonds and net investment hedge of foreign operations.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term bonds, long-term borrowings and short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Long-term bonds, long-term borrowings and lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk.

Based on the balance of floating interest borrowings as at 31 December 2022, if interest rates on these borrowings for the year had been higher/lower by 100 basis points, profit before income tax for the year would have been RMB481,000 (2021: RMB351,000) lower/higher.

(b) Credit risk and impairment assessment

As at 31 December 2022, the maximum exposure to credit risk of the Group is the carrying value of financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, contract assets and other receivables

The Group has policies in place to ensure that sales of products and services and other transactions are made to customers or counterparties with an appropriate credit history after internal approvals and follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables, contract assets and other receivables individually or based on provision matrix. In the regards, the Directors consider that the Group's credit risk is significantly reduced and are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

A considerable portion of sales were made to several major oilfield operators of the PRC and their affiliates, which are state-owned entities with good credit reputation, therefore the trade receivables of the Group had concentration risk (Note 5).

Notes receivable, restricted bank deposits and deposits in bank

The credit risks on notes receivable, restricted bank deposits and deposits in bank are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group performs impairment assessment under 12m ECL model on notes receivable, restricted bank deposits and deposits in bank. The Directors does not expect any losses from non-performance by these counterparties.

Most of the Group's restricted bank deposits and deposits in bank were placed with state-owned banks in the PRC and Hong Kong, the relevant credit risk is relatively low.

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Notes receivable, restricted bank deposits and deposits in bank *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets (including trade receivables from goods and services, notes receivable, other receivables, restricted bank deposits and deposits in bank), and other items (lease receivables and contract assets) which are subject to ECL assessment:

2022	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount
Financial assets at amortised cost					
Trade receivables – goods and services	11	N/A	Note (i)	Lifetime ECL (provision matrix)	**529,387**
				Lifetime ECL (individually, not credit-impaired)	**1,291,090**
				Lifetime ECL (individually, credit-impaired)	**296,325**
Other receivables	12	N/A	Note (ii)	12m ECL	**537,102**
				Lifetime ECL (credit-impaired)	**51,079**
Restricted bank deposits	13	A1	Note (iii)	12m ECL	**477,997**
Deposits in bank	13	A1	Note (iii)	12m ECL	**720,409**
Financial assets at FVTOCI					
Notes receivable	11	A1	Note (iii)	12m ECL	**132,090**
Other items					
Contract assets – goods and services	21(ii)(a)	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	**22,486**
Lease receivables – operating leases	11	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	**51,151**

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Notes receivable, restricted bank deposits and deposits in bank *(Continued)*

2021	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount
Financial assets at amortised cost					
Trade receivables – goods and services	11	N/A	Note (i)	Lifetime ECL (provision matrix)	474,320
				Lifetime ECL (individually, not credit-impaired)	1,281,357
				Lifetime ECL (individually, credit-impaired)	474,920
Other receivables	12	N/A	Note (ii)	12m ECL	498,295
				Lifetime ECL (credit-impaired)	45,631
Restricted bank deposits	13	A1	Note (iii)	12m ECL	414,892
Deposits in bank	13	A1	Note (iii)	12m ECL	1,156,565
Financial assets at FVTOCI					
Notes receivable	11	A1	Note (iii)	12m ECL	137,130
Other items					
Contract assets – goods and services	21(ii)(a)	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	20,699
Lease receivables – operating leases	11	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	42,934

Notes:

(i) Trade receivables and contract assets from goods and services and lease receivables

For trade receivables and contract assets from goods and services and lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Notes receivable, restricted bank deposits and deposits in bank *(Continued)*

Notes: *(Continued)*

(i) Trade receivables and contract assets from goods and services and lease receivables *(Continued)*

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for part of its customers in relation to its oilfield technology services, oilfield related operation and maintenance services and sales of oilfield-related goods operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from goods and services from private and relatively small customers which are assessed based on provision matrix as at 31 December 2022 within lifetime ECL (not credit impaired). Trade receivables from goods and services with significant outstanding balances from large multinational and state-owned oil companies and credit impaired with gross carrying amounts of RMB1,291,090,000 (2021: RMB1,281,357,000) and RMB296,325,000 (2021: RMB474,920,000) respectively as at 31 December 2022 were assessed individually.

Trade receivables from goods and services from private and relatively small customers

31/12/2022

	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
Current (not past due)	**6.72%**	**422,263**	**28,387**
Within 1 year past due	**30.52%**	**74,506**	**22,741**
1-2 years past due	**65.67%**	**32,618**	**21,420**
		529,387	**72,548**

31/12/2021

	Average loss rate	Gross carrying amount	Impairment loss allowance
Current (not past due)	4.15%	372,966	15,477
Within 1 year past due	26.78%	46,573	12,473
1-2 years past due	75.78%	54,781	41,512
		474,320	69,462

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Notes receivable, restricted bank deposits and deposits in bank *(Continued)*

Notes: *(Continued)*

(i) Trade receivables and contract assets from goods and services and lease receivables *(Continued)*

During the year ended 31 December 2022, the Group provided RMB37,502,000 (2021: RMB37,235,000) impairment allowance for trade receivables from goods and services from private and relatively small customers based on the provision matrix. Impairment allowance of RMB6,000 (2021: reversal of RMB1,272,000) were made on trade receivables from goods and services with significant balances from large multinational and state-owned oil companies. Impairment reversal of RMB86,456,000 (2021: allowance of RMB7,384,000) were made on credit impaired debtors.

For contract assets (the retention money receivables) and lease receivables which are arising from large multinational and state-owned oil companies, the Group performed impairment assessment and conclude that the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided.

The following table shows the movements in lifetime ECL that has been recognised for trade receivables from goods and services under the simplified approach:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2021	107,752	160,738	268,490
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses recognised, net of reversal	38,507	7,384	45,891
– Transfer to credit-impaired	(74,940)	74,940	–
As at 31 December 2021	71,319	243,062	314,381
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses recognised, net of reversal	**37,508**	**(86,456)**	**(48,948)**
– Transfer to credit-impaired	**(34,416)**	**34,416**	**-**
As at 31 December 2022	**74,411**	**191,022**	**265,433**

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment *(Continued)*

Notes receivable, restricted bank deposits and deposits in bank *(Continued)*

Notes: *(Continued)*

(ii) Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/ No fixed repayment terms	Total
31/12/2022			
Other receivables	**51,079**	**537,102**	**588,181**
31/12/2021			
Other receivables	45,631	498,295	543,926

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 31 December 2021 and 1 January 2021	–	–	45,631	45,631
– Impairment losses recognised, net of reversal	–	–	5,448	5,448
As at 31 December 2022	**-**	**-**	**51,079**	**51,079**

(iii) Notes receivable, restricted bank deposits and deposits in bank

At the end of the reporting period, the Directors have performed impairment assessment under 12m ECL model for notes receivable, restricted bank deposit, and deposits in bank, and concluded that there has been no significant increase in credit risk since initial recognition. Since the counterparties are banks with high credit ratings assigned by international credit-rating agencies, the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided for these financial assets.

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

The table below analyses the Group's financial liabilities and lease liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the financial period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31/12/2022

	Weighted average interest rate	On demand or less than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities					
Trade and notes payables	-	1,449,092	-	1,449,092	1,449,092
Included in accruals and other payables					
– liabilities arising from put option of non-controlling interest	10.000%	155,280	-	155,280	155,280
– others	-	669,316	-	669,316	669,316
Lease liabilities	6.889%	23,304	34,039	57,343	49,014
Short-term borrowings	5.076%	1,166,996	-	1,166,996	1,139,732
Long-term borrowings	6.799%	55,276	47,799	103,075	95,730
Long-term bonds	9.540%	102,239	923,983	1,026,222	832,606
		3,621,503	1,005,821	4,627,324	4,390,770

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

31/12/2021

	Weighted average interest rate	On demand or less than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities					
Trade and notes payables	–	1,525,467	–	1,525,467	1,525,467
Included in accruals and other payables	–	572,565	–	572,565	572,565
Lease liabilities	8.699%	24,465	10,465	34,930	32,662
Short-term borrowings	5.292%	738,569	–	738,569	718,125
Long-term borrowings	6.192%	87,988	49,435	137,423	131,347
Long-term bonds	9.264%	1,343,475	1,165,558	2,509,033	2,094,128
		4,292,529	1,225,458	5,517,987	5,074,294

33.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities and trade and notes payables, as shown in the consolidated statement of financial position. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total borrowings.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
Total borrowings	**3,566,174**	4,501,729
Total equity	**3,300,809**	2,828,161
Total capital	**6,866,983**	7,329,890
Gearing ratio	**52%**	61%

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.4 Fair value estimation

The fair value of financial instruments is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 2 and Level 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group measures its following financial instruments at fair value at the end of the reporting period:

Financial instruments	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Notes receivable	**132,090,000**	Level 3	Fair value is estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	Discount rate: 2.34%
Financial assets at FVTPL (Note)	**30,000,000**	Level 2	Observable recent transaction price	N/A

Note:

As at 31 December 2022, the financial assets at FVTPL represent the Group's investment in a newly set-up unlisted partnership entity. The Directors consider the fair value of the investment approximated with its observable recent transaction price.

Reconciliation of Level 3 fair value measurements

	Notes Receivable
As at 1 January 2022	**137,130**
Additions	**639,925**
Disposals	**(649,863)**
Fair value change recognised in other comprehensive income	**4,898**
As at 31 December 2022	**132,090**

Included in other comprehensive income is an amount of RMB1,045,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Year ended 31 December 2021: RMB5,943,000).

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.4 Fair value estimation *(Continued)*

Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial liabilities including trade and notes payables, other payables, short-term borrowings, the current portion of long-term borrowings approximate their fair values due to their short maturities.

The carrying amount of long-term borrowings approximated their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

The carrying amounts and fair values of long-term bonds

As at 31 December 2022	**Carrying value**	**Fair value**
Long-term bonds	**832,606**	**620,217**

As at 31 December 2021	Carrying value	Fair value
Long-term bonds	2,094,128	1,948,202

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

34. ACQUISITION OF A SUBSIDIARY

On 31 October 2022, the Group acquired an 95% interest in Suining Xingyuan. Suining Xingyuan is principally engaged in the oil and gas extraction and was acquired with the objective of expanding the Group's oil and gas extraction business. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred	
Cash as consideration paid and to be paid	51,145

Acquisition-related costs amounting to RMB181,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss.

Current assets:	
Inventories	51
Trade and notes receivables	14,148
Prepayments and other receivables	40
Cash and cash equivalents	20
Non-current assets:	
Property, plant and equipment (Note 6)	15,684
Investment properties	5,549
Right-of-use assets (Note 7)	11,340
Deferred income tax assets	414
Current liabilities:	
Accruals and other payables	(1,504)
Non-current liabilities:	
Deferred tax liabilities	(4,143)
Net assets	41,599
Non-controlling interests	(2,080)
	39,519

The fair value of property, plant and equipment, investment properties and right-of-use assets at the date of acquisition amounted to RMB15,684,000, RMB5,549,000, and RMB11,340,000, respectively. Deferred tax liabilities of RMB4,143,000 has been provided in relation to these fair value adjustments.

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB14,188,000 at the date of acquisition had gross contractual amounts of RMB14,188,000, all of which are expected to be collected based on the best estimate.

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

34. ACQUISITION OF A SUBSIDIARY *(Continued)*

Non-controlling interests

The non-controlling interest (5%) in Suining Xingyuan recognised at the acquisition date was measured by reference to the proportion sharing of the fair value of the net assets of Suining Xingyuan and amounted to RMB2,080,000. The fair value was estimated by applying the asset basis and income approaches.

Goodwill arising on acquisition:

Consideration transferred	51,145
Less: recognised amount of identifiable net assets acquired	(39,519)
Goodwill arising on acquisition	11,626

Goodwill arose on the acquisition of Suining Xingyuan because the acquisition brought the benefits for the Group to further expand its business in Southwest region of China. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

Purchase consideration	51,145
Less: consideration payable (Note 20)	(30,687)
Less: cash and cash equivalent balances acquired	(20)
	20,438

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is RMB950,000 loss attributable to the additional business generated by Suining Xingyuan. Revenue for the year ended 31 December 2022 includes RMB210,000 generated from Suining Xingyuan.

Had the acquisition been completed on 1 January 2022, total Group revenue for the year would have been RMB3,515,252,000, and profit for the year would have been RMB295,407,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group had Suining Xingyuan been acquired at the beginning of the current year, the Directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

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

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group are also considered as related parties.

(a) The following party is related party of the Group during the year ended 31 December 2022:

Name of related party	Nature of relationship
Mr. Luo Lin	The ultimate controlling shareholder of the Company

(b) Short-term bank borrowings guaranteed by related party

	As at 31 December	
	2022	2021
Short-term borrowings		
Mr. Luo Lin (Note 17(a))	**595,547**	405,641

(c) Key management compensation

	Year ended 31 December	
	2022	2021
Salaries and other short-term employee benefits	**15,525**	11,574
Pension scheme	**284**	262
Share-based payments	**6,927**	6,451
	22,736	18,287

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

36. SUBSIDIARIES

(a) The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2022 and 2021:

Company name	Place and date of incorporation/ establishment	Registered capital	Equity interest and voting power held by the Group	Place of operations and principal activities
Directly held:				
Anton Limited	Hong Kong, 17 August 2007	HK$100	100%	PRC Investment holding
Anton Oilfield Services Company International Limited	Hong Kong, 17 July 2008	HK$100	100%	PRC Investment holding
Indirectly held:				
Anton Oilfield Services (Group) Ltd. (安東石油技術(集團)有限公司)	Beijing, the PRC, 28 January 2002	US$248,029,000	100%	PRC Oilfield services and sales of equipment
T-ALL Inspection (通奧檢測集團股份有限公司, (formerly 新疆通奥油田技術服務有限公司)	Xinjiang Uygur Autonomous Region, the PRC, 21 February 2002	RMB230,048,591	88%	PRC Oilfield services
Anton Tong'ao Technological Products Co., Limited (安東通奥科技產業股份有限公司)	Xinjiang Uygur Autonomous Region, the PRC, 15 December 2005	RMB90,000,000	90%	PRC Lease of drilling rigs and rods
Shandong Precede	Shandong Province, the PRC, 2 September 2008	RMB55,000,000	100%	PRC Oilfield services and sales of equipment
Anton International FZE	The United Arab Emirates, 12 April 2009	US$7,300,000	100%	Iraq Oilfield services

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

36. SUBSIDIARIES *(Continued)*

(a) The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2022 and 2021: *(Continued)*

Company name	Place and date of incorporation/ establishment	Registered capital	Equity interest and voting power held by the Group	Place of operations and principal activities
Sichuan Anton Oil Gas Engineering and Technology Services Co., Ltd. (四川安東油氣工程技術服務有限公司)	Sichuan Province, the PRC, 14 July 2009	RMB400,000,000	100%	PRC Oilfield services and sales of equipment
Anton Oilfield Services DMCC	The United Arab Emirates, 28 March 2011	US$54,462,150	100%	Iraq Oilfield services
Sichuan Tongsheng Drilling Technology Co., Ltd. (四川通盛鑽採工程有限公司)	Sichuan Province, the PRC, 13 February 2012	RMB100,000,000	100%	PRC Drilling services
Xinjiang Anton Oilfield Services Co., Ltd. (新疆安東石油技術服務有限責任公司)	Xinjiang Uygur Autonomous Region, the PRC, 24 February 2012	RMB80,000,000	100%	PRC Oilfield services
Antonoil Services DMCC	The United Arab Emirates, 24 January 2017	US$109,040	100%	Republic of Chad Oilfield services

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

As at 31 December 2022, in the opinion of the Directors, there are no material non-controlling interests need to be disclosed.

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

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2022	2021
Assets		
Non-current assets		
Investments in subsidiaries	**4,979,725**	4,979,725
Current assets		
Prepayments and other receivables	**337,944**	275,227
Cash and cash equivalents	**3,216**	102,199
	341,160	377,426
Total assets	**5,320,885**	5,357,151
Equity and liabilities		
Equity		
Share capital	**276,274**	276,274
Other reserves (a)	**2,609,048**	2,875,877
Total equity	**2,885,322**	3,152,151
Liabilities		
Non-current liabilities		
Long-term bonds	**801,835**	929,984
Current liabilities		
Current portion of long-term bonds	**30,771**	1,164,144
Trade and notes payables	**-**	12,920
Accruals and other payables	**1,602,957**	97,952
	1,633,728	1,275,016
Total liabilities	**2,435,563**	2,205,000
Total equity and liabilities	**5,320,885**	5,357,151

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

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Note:

(a) Reserve movements of the Company

	Treasury shares	Share premium	Capital reserve	Accumulated losses	Total
Balance at 1 January 2021	(32,600)	1,049,570	3,088,530	(1,053,290)	3,052,210
Loss for the year	–	–	–	(184,775)	(184,775)
Repurchase of ordinary shares	(19,438)	–	–	–	(19,438)
Share option exercised	–	8	(3)	–	5
Share option scheme and restricted share award scheme	–	–	27,875	–	27,875
Vesting of shares under restricted share award scheme	10,170	–	(10,170)	–	–
At 31 December 2021	(41,868)	1,049,578	3,106,232	(1,238,065)	2,875,877
Balance at 1 January 2022	**(41,868)**	**1,049,578**	**3,106,232**	**(1,238,065)**	**2,875,877**
Loss for the year	**-**	**-**	**-**	**(279,692)**	**(279,692)**
Repurchase of ordinary shares	**(11,207)**	**-**	**-**	**-**	**(11,207)**
Share option scheme and restricted share award scheme	**-**	**-**	**24,070**	**-**	**24,070**
Vesting of shares under restricted share award scheme	**19,616**	**-**	**(19,616)**	**-**	**-**
At 31 December 2022	**(33,459)**	**1,049,578**	**3,110,686**	**(1,517,757)**	**2,609,048**

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

38. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2022:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits (i)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive Directors									
Mr. Luo Lin	-	3,514	660	-	81	58	-	-	4,313
Mr. Pi Zhifeng (chief executive)	-	1,556	50	-	75	54	-	-	1,735
Mr. Fan Yonghong	-	2,610	200	-	81	58	-	-	2,949
Non-executive Director									
Mr. Huang Song	-	574	-	-	-	-	-	-	574
Independent Non-executive Directors									
Mr. Zhang Yongyi (ii)	287	-	-	-	-	-	-	-	287
Mr. Zhu Xiaoping (ii)	287	-	-	-	-	-	-	-	287
Dato Wee Yiaw Hin (ii)	673	-	-	-	-	-	-	-	673

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

38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below: *(Continued)*

For the year ended 31 December 2021:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits (i)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive Directors									
Mr. Luo Lin	-	2,596	-	-	75	52	-	-	2,723
Mr. Pi Zhifeng (chief executive)	-	1,613	-	-	74	53	-	-	1,740
Mr. Fan Yonghong	-	1,955	-	-	74	53	-	-	2,082
Non-executive Director									
Mr. Huang Song	-	287	-	-	-	-	-	-	287
Independent Non-executive Directors									
Mr. Zhang Yongyi (ii)	287	-	-	-	-	-	-	-	287
Mr. Zhu Xiaoping (ii)	287	-	-	-	-	-	-	-	287
Dato Wee Yiaw Hin (ii)	645	-	-	-	-	-	-	-	645

Notes:

(i) Other benefits include other insurance premium.

(ii) On 15 July 2022 and 1 January 2021, 1,950,000 and 2,400,000 restricted shares with the fair value of HK$0.410 and HK$0.435 per share have been conditionally granted to three independent non-executive directors, respectively, and the total expense recognised in the consolidated statement of profit or loss for year ended 31 December 2022 amounted to RMB591,000 (31 December 2021: RMB701,000), the same amount for each independent non-executive director which are not included in this summary.