SPT Energy Group Inc.

華油能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1251)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2023 was RMB1,947.2 million, representing an increase of RMB190.0 million, or 10.8%, from RMB1,757.2 million for the previous year. The profit attributable to equity owners of the Company was RMB16.7 million, while the profit attributable to equity owners of the Company for the previous year was RMB13.2 million.

No final dividend for the year ended 31 December 2023 was proposed by the Board to the shareholders of the Company (for the year ended 31 December 2022: nil).

RESULTS

The board of directors (the "**Board**") of SPT Energy Group Inc. (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Reporting Year**"), together with the comparative figures for the previous year as follows:

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2023** *RMB'000*	2022 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**407,048**	430,071
Right-of-use assets		**55,754**	60,890
Intangible assets		**14,561**	15,875
Investments in an associate		**1,921**	3,472
Investments in a joint venture		**235**	–
Deferred income tax assets		**115,399**	115,301
Financial assets at fair value through other comprehensive income		**7,287**	8,368
Other non-current assets		**16,145**	16,145
Prepayments and other receivables	*5*	**33,504**	324
		651,854	650,446
Current assets			
Inventories		**656,583**	556,669
Contract assets	*3*	**21,966**	32,731
Trade and note receivables	*4*	**1,016,402**	1,139,377
Prepayments and other receivables	*5*	**238,812**	208,610
Restricted bank deposits		**22,410**	17,189
Cash and cash equivalents		**303,180**	277,536
		2,259,353	2,232,112
Total assets		**2,911,207**	2,882,558
Equity			
Equity attributable to the Company's equity holders			
Share capital	*6*	**1,247**	1,178
Share premium		**869,853**	848,026
Other reserves		**351,401**	335,409
Currency translation differences		**(501,629)**	(525,073)
Retained earnings		**579,236**	575,241
		1,300,108	1,234,781
Non-controlling interests		**(14,868)**	(9,677)
Total equity		**1,285,240**	1,225,104

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**77,206**	43,035
Non-current lease liabilities		**13,292**	16,618
Deferred income tax liabilities		**26,252**	25,792
		116,750	85,445
Current liabilities			
Borrowings		**355,303**	375,295
Current portion of long-term borrowings		**60,907**	124,253
Contract liabilities	*3*	**44,190**	53,460
Trade and note payables	*7*	**777,453**	733,759
Accruals and other payables	*8*	**205,281**	218,990
Current income tax liabilities		**55,154**	54,809
Current portion of lease liabilities		**10,929**	11,443
		1,509,217	1,572,009
Total liabilities		**1,625,967**	1,657,454
Total equity and liabilities		**2,911,207**	2,882,558

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,947,244**	1,757,162
Other gains/(losses), net		**12,297**	(7,640)
Operating costs			
Material costs		**(549,238)**	(482,754)
Employee benefit expenses		**(627,213)**	(591,885)
Short-term and low-value lease expenses		**(123,985)**	(113,575)
Transportation costs		**(33,783)**	(28,572)
Depreciation and amortisation		**(71,174)**	(74,074)
Technical service expenses		**(265,232)**	(151,736)
Net impairment losses of financial and contract assets		**(46,831)**	(28,349)
Impairment losses of inventories and prepayments		**(4,751)**	(4,640)
Others		**(183,321)**	(221,069)
		(1,905,528)	(1,696,654)
Operating profit		**54,013**	52,868
Finance income	*9*	**802**	642
Finance costs	*9*	**(31,948)**	(38,083)
Finance costs, net		**(31,146)**	(37,441)
Share of net (loss)/profit of an associate and a joint venture accounted for using the equity method		**(1,317)**	819
Profit before income tax		**21,550**	16,246
Income tax expense	*10*	**(12,772)**	(8,789)
Profit for the year		**8,778**	7,457
Attributable to:			
Owners of the Company		**16,745**	13,241
Non-controlling interests		**(7,967)**	(5,784)
		8,778	7,457
Earnings per share for the profit attributable to the owners of the Company (RMB)			
Basic earnings per share	*12*	**0.009**	0.007
Diluted earnings per share	*12*	**0.009**	0.007

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit for the year		**8,778**	7,457
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**8,439**	(33,772)
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		**13,847**	63,282
Changes in fair value of equity investments at fair value through other comprehensive income		**(1,081)**	(3,319)
Total comprehensive income for the year		**29,983**	33,648
Total comprehensive income for the year attributable to:			
Owners of the Company		**38,213**	39,844
Non-controlling interests		**(8,230)**	(6,196)
		29,983	33,648
Total comprehensive income for the year		**29,983**	33,648

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December **2023** ***RMB'000***	 2022 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**153,561**	14,863
Income tax paid		**(11,456)**	(10,254)
Net cash generated from operating activities		**142,105**	4,609
Cash flows from investing activities			
Purchases of property, plant and equipment		**(53,736)**	(24,482)
Proceeds from disposal of property, plant and equipment		**35**	3
Proceeds from disposal of an associate in prior years		**–**	219
Cash disposed on change from a subsidiary to a joint venture		**(3,513)**	–
(Increase)/decrease in restricted bank deposits		**(5,221)**	12,245
Partial payment of consideration for acquisition of a subsidiary, net of cash acquired		**–**	(377)
Interest received		**744**	637
Dividends received from an associate		**–**	187
Dividends received from investment in financial assets at fair value through other comprehensive income		**785**	581
Net cash used in investing activities		**(60,906)**	(10,987)
Cash flows from financing activities			
Proceeds from borrowings		**591,528**	583,198
Repayments of borrowings		**(630,414)**	(618,176)
Proceeds from issues of new shares		**21,896**	–
Interest paid		**(22,148)**	(29,598)
Principal elements of lease payments		**(11,887)**	(15,611)
Payments of financing fee and deposits		**(7,318)**	(5,990)
Net cash used in financing activities		**(58,343)**	(86,177)
Net increase/(decrease) in cash and cash equivalents		**22,856**	(92,555)
Cash and cash equivalents at beginning of the year		**277,536**	359,415
Effects of exchange rate changes on cash and cash equivalents		**2,788**	10,676
Cash and cash equivalents at end of the year		**303,180**	277,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively the "Group") are an international comprehensive energy company principally engaged in oilfield exploration and development, oil-field services and new energy business in the People's Republic of China (the "PRC") and overseas. The Group is committed to providing comprehensive solutions for the exploration and development of conventional and unconventional energy sources such as oil and natural gas, and providing technical research and engineering services in the entire industry chain of carbon capture, utilization, and storage ("CCUS"). The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (吳東方) (collectively referred to as the "Controlling Shareholders").

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and are approved for issue by the Board of Directors on 26 March 2024.

2. BASIS OF PREPARATION

2.1 Compliance with IFRS and HKCO

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

2.2 Historical cost convention

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

2.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

• IFRS 17	Insurance Contracts
• Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
• Amendments to IAS 8	Definition of Accounting Estimates
• Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
• Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require the recognition of deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The Group therefore changed its accounting policies as a result of adopting this amendment to IAS 12. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2022. There was no impact on retained earnings on 1 January 2022.

The impact of applying these amendments on the consolidated financial information is summarised as follows:

	Amount of adjustment	
	1 January 2022	31 December 2022
	RMB'000	*RMB'000*
Deferred tax assets	5,322	4,609
Deferred tax liabilities	(5,322)	(4,609)

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

3. SEGMENT INFORMATION

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

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

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

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

(a) Revenue

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Drilling	**513,406**	500,821
Well completion	**477,844**	422,255
Reservoir	**784,169**	692,350
Others*	**171,825**	141,736
	1,947,244	1,757,162

* Others include the sales of alcohol and gas.

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

Revenue amounting to RMB1,361,094,000 (2022: RMB1,221,325,000) are derived from CNPC and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 2023 and 2022 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2023					
Revenue from external customers	**513,406**	**477,844**	**784,169**	**171,825**	**1,947,244**
Time of revenue recognition					
– At a point in time	**14,065**	**303,075**	**61,841**	**171,825**	**550,806**
– Over time	**499,341**	**174,769**	**722,328**	**–**	**1,396,438**
EBITDA	**75,731**	**73,053**	**110,518**	**9,993**	**269,295**

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

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

The segment information on total assets as at 31 December 2023 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others*** *RMB'000*	**Total** *RMB'000*
As at 31 December 2023					
Segment assets	**728,478**	**847,157**	**620,340**	**48,682**	**2,244,657**
Unallocated assets					**666,550**
Total assets					**2,911,207**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**15,646**	**8,858**	**10,943**	**49,330**	**84,777**

* (1) Since Sinostone Bioethanol Manufacturing Limited ("SSAM"), one of the other segment, was changed from a subsidiary to a joint venture on 22 November 2023, the assets of SSAM are not included.

(2) Others included the assets of PT CIPTA NIAGA GEMILANG ("CNG") which is a subsidiary principally engaging in oil and gas exploration and mining. There was no revenue recognised for CNG in 2023 since it was in the development stage.

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

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

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

	Year ended 31 December	
	2023 ***RMB'000***	2022 *RMB'000*
EBITDA for reportable segments	**269,295**	258,721
Unallocated expenses		
– Share-based payments	**(8,257)**	–
– Other gains/(losses), net	**12,297**	(7,640)
– Unallocated overhead expenses	**(149,465)**	(123,320)
	(145,425)	(130,960)
	123,870	127,761
Depreciation and amortisation	**(71,174)**	(74,074)
Finance costs *(Note 9)*	**(31,948)**	(38,083)
Finance income *(Note 9)*	**802**	642
Profit before income tax	**21,550**	16,246

	As at 31 December	
	2023 ***RMB'000***	2022 *RMB'000*
Segment assets for reportable segments	**2,244,657**	2,275,533
Unallocated assets		
– Deferred income tax assets	**115,399**	115,301
– Unallocated inventories	**48,032**	41,889
– Unallocated prepayment and other receivables	**168,086**	143,270
– Restricted bank deposits	**22,410**	17,189
– Cash and cash equivalents	**303,180**	277,536
– Financial assets at fair value through other comprehensive income	**7,287**	8,368
– Investments in an associate and a joint venture	**2,156**	3,472
	666,550	607,025
Total assets per balance sheet	**2,911,207**	2,882,558

(c) Geographical segment

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
PRC	**1,079,027**	1,095,303
Kazakhstan	**413,824**	361,180
Turkmenistan	**158,878**	60,220
Indonesia	**96,505**	71,443
Middle East	**70,570**	47,021
Canada	**57,726**	44,556
Others	**70,714**	77,439
	1,947,244	1,757,162

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
PRC	**301,510**	295,157
Indonesia	**82,277**	19,524
Singapore	**43,036**	19,203
Kazakhstan	**34,856**	53,513
Middle East	**34,441**	47,587
Turkmenistan	**10,005**	14,170
Canada	**4,296**	4,958
Others	**16,591**	69,192
	527,012	523,304

(d) Assets and liabilities related to contracts with customers

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current contract assets	**22,979**	33,763
Loss allowance	**(1,013)**	(1,032)
Total contract assets	**21,966**	32,731
Current contract liabilities	**44,190**	53,460

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Drilling	**4,223**	4,919
– Well completion	**418**	–
– Reservoir	**542**	112
– Other	**32,055**	34,189
Total	**37,238**	39,220

(ii) Unsatisfied long-term service contracts

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within one year	**701,234**	666,149
More than one year but not more than two years	**399,168**	317,737
More than two years	**241,842**	106,081
Total	**1,342,244**	1,089,967

4. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(a)*	**1,131,211**	1,202,208
Less: loss allowance	**(174,257)**	(131,491)
Trade receivables-net	**956,954**	1,070,717
Notes receivable *(a)*	**59,518**	68,735
Less: loss allowance	**(70)**	(75)
Notes receivable-net	**59,448**	68,660
	1,016,402	1,139,377

Notes

(a) Fair values of trade and note receivables

Trade and note receivables are financial assets classified as "financial assets at amortised cost". The fair value of trade and note receivables approximated their carrying values.

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**761,148**	837,346
6 months – 1 year	**93,490**	65,794
1 – 2 years	**56,605**	151,212
2 – 3 years	**81,260**	28,157
Over 3 years	**198,226**	188,434
Trade and note receivables, gross	**1,190,729**	1,270,943
Less: loss allowance	**(174,327)**	(131,566)
Trade and note receivables, net	**1,016,402**	1,139,377

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

5. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current		
Advances to suppliers	**89,171**	101,855
Prepayment for taxes	**63,059**	46,001
Less: loss allowance	**(3,576)**	(4,953)
Total non-financial assets	**148,654**	142,903
Deposits and other receivables *(a)*	**56,543**	70,450
Receivable from sales of property, plant and equipment	**38,053**	–
Less: loss allowance	**(4,438)**	(4,743)
Total financial assets	**90,158**	65,707
	238,812	208,610
Non-current		
Prepayment for equipment and machinery	**–**	323
Deposits and other receivables	**–**	1
Total non-financial assets	**–**	324
Deposits and other receivables	**11,723**	–
Loan to a related party *(b)*	**11,448**	–
Loan to a third party *(c)*	**10,624**	–
Less: loss allowance	**(291)**	–
Total financial assets	**33,504**	–
	33,504	324
Total	**272,316**	208,934

Notes

(a) The fair values of deposits and other receivables approximated their carrying values.

(b) The loan to a related party bears interest at a rate of 8% per annum and will mature in June 2025.

(c) The loan to a third party bears no interest and will mature in February 2026.

6. SHARE CAPITAL

	Number of shares *(Thousands)*	**Share capital** *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each as at 31 December 2022 and 2023	5,000,000	3,219
Issued and fully paid:		
As at 31 December 2022	1,853,776	1,178
Add: new issuance of ordinary shares *(a)*	100,000	69
As at 31 December 2023	1,953,776	1,247

(a) On 2 May 2023, 100,000,000 placing shares were allotted and issued at HKD0.25 per share, resulting in approximately RMB69,000 and RMB21,827,000 being recognised as share capital and share premium respectively.

7. TRADE AND NOTE PAYABLES

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**562,231**	519,586
6 months to 1 year	**47,066**	38,558
1 – 2 years	**60,353**	63,272
2 – 3 years	**27,962**	21,449
Over 3 years	**79,841**	90,894
	777,453	733,759

8. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Payroll and welfare payable	**109,461**	112,763
Taxes other than income taxes payable	**26,998**	30,027
Other payables – related parties	**14,872**	14,872
Other payables for purchase of plant and machineries	**5,084**	13,869
Other payables	**48,866**	47,459
	205,281	218,990

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

9. FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income:		
– Interest income from bank deposits	**744**	637
Net foreign exchange gains on financing activities	**58**	5
Finance income	**802**	642
Interest expense:		
– Bank borrowings	**(22,860)**	(27,890)
– Interest paid for lease liabilities	**(1,345)**	(2,257)
– Other borrowings	**(3,534)**	(5,106)
Bank charges and others	**(4,209)**	(2,830)
Finance costs	**(31,948)**	(38,083)
Finance costs, net	**(31,146)**	(37,441)

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax *(a)*	**12,097**	7,091
Deferred income tax	**675**	1,698
Income tax expense	**12,772**	8,789

Notes

(a) Current income tax

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

(ii) PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2023 and 2022, certain subsidiaries established in the western area of the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

(iii) The Group's subsidiaries established in Singapore are subject to Singapore profits tax at a rate of 17% (2022: 17%).

(iv) The corporate income tax rate for subsidiaries established in Kazakhstan is 20%. Income tax is charged on all business income generated in Kazakhstan with relief for tax deductible expenses (2022: 20%).

(v) The corporate income tax rate for subsidiaries established in Canada is 25% (2022: 25%).

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**21,550**	16,246
Tax calculated at domestic tax rates applicable in respective countries	**11,732**	(451)
Expenses not deductible for taxation purposes	**681**	2,379
Impact on share of results of investments accounted for using equity method	**193**	(123)
Utilisation of previously unrecognised tax losses and temporary differences	**(19,201)**	(11,831)
Losses not recognised as deferred income tax assets	**18,717**	18,851
Withholding tax relating to unremitted retained earnings	**715**	258
Additional deduction of research and development expense	**(65)**	(294)
Income tax expense	**12,772**	8,789

11. DIVIDENDS

The Board did not propose a final dividend for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	**16,745**	13,241
Weighted average number of ordinary shares in issue (thousands)	**1,923,556**	1,853,776
Basic earnings per share (RMB per share)	**0.009**	0.007

(b) Diluted

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

The share options in issue have not been included in the calculation of the diluted earnings per share, as the adjusted exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the year ended 31 December 2023 and the diluted earnings per share is the same as the basic earnings per share during the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Year, under the influence of multiple factors such as slow recovery of the global economy, persistent and frequent geopolitical conflicts, accelerated restructuring of the global supply chain, and the transition of the international energy industry from old to new, international oil prices, though fluctuating, remained at a mid-to-high level. High oil prices drive the increased investment in oil and gas exploration and development in the upstream. Thanks to this, while the global oilfield services industry is struggling to recover, the development trend continues to improve. At the same time, the industry continues to face challenges in technological renewal and upgrading, environmental protection and market competition, and the battlefield remains fierce. Domestically, the oilfield services market continued to show strong resilience under the continued promotion of the "Seven-Year Action Plan" to safeguard national energy security and the increase in storage and production.

In 2023, the worldwide COVID-19 pandemic ended. Although the epidemic lockdown has been lifted, the domestic and international economic situations have changed drastically, and the severe challenges and complexities and uncertainties from both inside and outside the industry did not relent. The Group, united as one, has persevered for survival, confronted difficulties and sought breakthroughs, seized opportunities and promoted development, stood various tests and overcome adverse impacts caused by the internal and external environments, and has fully utilized its strengths in combating risks to ensure stable running of the Group's operations, while boosting the confidence of the entire Group. During the Reporting Year, the Group continued to increase its revenue scale and profit level, recording revenue of RMB1,947.2 million, an increase of RMB190.0 million or 10.8% over last year; and profit of RMB8.8 million for the Reporting Year, an increase of RMB1.3 million or 17.3% over last year. The Group continued to integrate its advantageous resources and enhance its business layout. In 2023, the development trend of the Group's three major strategic business segments was favorable. The Group's main business, oilfield technical services, strove for changes amidst difficulties, and held on to its traditional market and basic market, while expanding and nurturing new hopes; the development of the new energy business gradually emerged, with a sizable number of contracts secured during the Reporting Year, which laid a solid foundation for the subsequent development of this segment; and the exploration and development project of the oilfields in Indonesia is expected to have a sizable production volume. Meanwhile, the overall production value, profit and cash flow situation of the Group in 2023 exceeded expectations. This is closely related to the Group's consistent adoption of prudent financial policies, insistence on light-asset operations and strengthening of the whole process cash flow management strategy, which fully demonstrated the Group's stronger risk resistance, operational flexibility and continuous development capability.

REVENUE ANALYSIS

During the Reporting Year, the Group realised revenue of RMB1,947.2 million, representing an increase of RMB190.0 million or 10.8% as compared to previous year. The analysis on the revenue of the Group by business segment is as follows:

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
Revenue			
Reservoir	**784,169**	692,350	13.3%
Drilling	**513,406**	500,821	2.5%
Well completion	**477,844**	422,255	13.2%
Other	**171,825**	141,736	21.2%
Total	**1,947,244**	1,757,162	10.8%

During the Reporting Year, with oil price of oilfield service industry ran at the mid-to-high levels, the gradual increase in upstream capital expenditure and the development of new energy field, the industry was getting promising, and the Group's revenue achieved a certain degree of growth in 2023. In particular, revenue from reservoir segment accounted for 40.3% of the total revenue, representing an increase of RMB91.8 million or 13.3% as compared to previous year. Revenue from drilling segment accounted for 26.4% of the total revenue, representing an increase of RMB12.6 million or 2.5% as compared to previous year. Revenue from well completion segment accounted for 24.5% of the total revenue, representing an increase of RMB55.6 million or 13.2% as compared to previous year. Revenue from other segments accounted for 8.8% of the total revenue, representing an increase of RMB30.1 million or 21.2% as compared to the previous year. The revenue from oil reservoir segment, well completion segment and other segments increased significantly, which was attributable to the increase in dynamic monitoring business, overseas well completion business and edible alcohol sales business.

RESERVOIR SERVICE SEGMENT

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from reservoir services			
Overseas	**301,238**	242,957	24.0%
PRC	**482,931**	449,393	7.5%
Total	**784,169**	692,350	13.3%

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

During the Reporting Year, the Group's reservoir segment has made steady progress and recorded revenue of RMB784.2 million, representing an increase of RMB91.8 million or 13.3% as compared to previous year. In 2023, reservoir segment in China has recorded revenue of RMB482.9 million, representing an increase of RMB33.5 million or 7.5% as compared to previous year, and accounted for 61.6% of the total revenue of reservoir segment. As for overseas reservoir segment, it recorded revenue of RMB301.2 million in 2023, representing an increase of RMB58.3 million or 24.0% as compared to previous year, and accounted for 38.4% of the total revenue of reservoir segment. During the Reporting Year, the significant increase in revenue from overseas reservoirs was mainly due to the growth of dynamic monitoring business in Central Asia and the Middle East, and the growth of compressor maintenance business in Central Asia.

DRILLING SERVICE SEGMENT

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from drilling services			
Overseas	**263,972**	248,106	6.4%
PRC	**249,434**	252,715	(1.3%)
Total	**513,406**	500,821	2.5%

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

During the Reporting Year, the Group's drilling service segment recorded revenue of RMB513.4 million, representing an increase of RMB12.6 million or 2.5% as compared to previous year. In 2023, drilling segment in China has recorded revenue of RMB249.4 million, representing a decrease of RMB3.3 million or 1.3% as compared to previous year, and accounted for 48.6% of the total revenue of drilling segment. As for overseas drilling segment, it recorded revenue of RMB264.0 million, representing an increase of RMB15.9 million or 6.4% as compared to previous year, and accounted for 51.4% of the total revenue of drilling segment. The growth was attributable to the increase in workover and salvage operations in overseas.

WELL COMPLETION SERVICE SEGMENT

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from well completion services			
Overseas	**241,134**	126,764	90.2%
PRC	**236,710**	295,491	(19.9%)
Total	**477,844**	422,255	13.2%

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

During the Reporting Year, well completion service segment recorded revenue of RMB477.8 million, representing an increase of RMB55.6 million or 13.2% as compared to previous year. Among which, well completion segment in China recorded revenue of RMB236.7 million, representing a decrease of RMB58.8 million or 19.9% as compared to previous year, and accounted for 49.5% of the total revenue of well completion segment. In terms of overseas well completion segment, it recorded revenue of RMB241.1 million, representing an increase of RMB114.4 million or 90.2% as compared to previous year, and accounted for 50.5% of the total revenue of well completion segment. The increase was mainly due to the increase in well completion business in Indonesia and Central Asia.

OTHER SEGMENT

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from other services			
Overseas	**61,873**	44,031	40.5%
PRC	**109,952**	97,705	12.5%
Total	**171,825**	141,736	21.2%

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

During the Reporting Year, the Group's other segment recorded additional revenue of RMB171.8 million, representing an increase of RMB30.1 million or 21.2% as compared to the previous year. Revenue from the PRC market was RMB110.0 million, representing an increase of RMB12.3 million or 12.5% as compared to the same period last year and accounting for 64.0% of total revenue from other segments, mainly attributable to the increase in natural gas sales business in Xinjiang. Revenue from overseas markets amounted to RMB61.9 million, representing an increase of RMB17.9 million or 40.5% as compared to the same period of previous year and accounting for 36.0% of total revenue from other segments, which was mainly due to the increase in sales business of edible alcohol project in Ghana, Africa.

MARKET ENVIRONMENT

During the Reporting Year, the global economy as a whole showed a weak but resilient recovery. Under the big environment of intensified geopolitical conflicts, complex changes in the international situation, and high inflation in many countries, the global economy maintained a moderate growth despite setbacks, and there were some bright colors amidst the gloom. The U.S. economy is recovering well, the European economy is maintaining a low rate of growth, and China will continue to be the largest growth engine for the global economy, contributing one-third of global economic growth. In 2023, international oil prices, although generally declining slightly, were still at a high level, and global oil demand surpassed the pre-COVID-19 level; persistently low natural gas prices have given natural gas a more favourable economic advantage, leading to a rise in global natural gas consumption. The Organization of the Petroleum Exporting Countries ("**OPEC+**") has maintained oil prices by deepening and extending its production cut program, and supply and demand are basically in equilibrium. Currently, frequent geopolitical conflicts have made energy security a top concern. Countries are taking a more proactive approach to promote the upstream development of their own oil and gas, and investment in upstream oil and gas has increased to a higher level in recent years. It is expected that, against the backdrop of insufficient momentum and vulnerability of global economic growth, mismatch between supply and demand in the international energy market, increased market volatility, and the imbalance between energy supply and demand faced by all countries in the world, guaranteeing energy security and enhancing the resilience of the energy system will become a continuing priority issue for energy development in all countries.

At the same time, decarbonization of energy systems and the transition to net-zero remained the focus of the global energy industry in 2023. During the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) in December, fifty global oil and gas companies joined the Oil and Gas Decarbonization Charter. The agreement sends a strong signal to the world to accelerate climate action and has far-reaching implications for the oil and gas industry. Global investment in driving the energy transition grew by 17% year-on-year to US$1.77 trillion in 2023, with strong resilience in sectors critical to the energy transition such as renewable energy, energy storage, nuclear energy, hydrogen energy, electrification, and power grids. Global oil and gas companies have been "vigorously adjusting the structure of their main business, actively developing green and low-carbon industries, and making great efforts to develop carbon-reducing and carbon-cutting technologies".

Driven by high oil prices, oil and gas development enterprises are motivated to seize the opportunity to implement plans for increasing storage and production, and the participation of oil service companies has increased. International oil service companies have developed featured technologies to meet the needs of oil companies to reduce carbon emissions in the exploration and development process. As oil prices rebound and the industry picks up, the oilfield services industry sees room for profit improvement.

Overall, the oil services industry has shown good momentum driven by rising oil prices, increased upstream capital expenditure and new energy development. The fundamentals of the industry remain strong.

OVERSEAS MARKETS

The Group's overseas operations are mainly located in Kazakhstan and Turkmenistan in Central Asia, Indonesia and Singapore in Southeast Asia, Canada in North America, the Middle East and Africa. During the Reporting Year, the global economy faced the challenge to advance on the road of recovery after COVID-19, and the global energy landscape is also undergoing adjustments and dynamic balancing. On the one hand, the traditional oil and gas market still dominated the global energy supply, and there was no major fundamental change in the pattern of global energy production and consumption; on the other hand, with the intensification of global climate change issues, the demand for the development of green and renewable energy sources became more and more urgent, and governments stepped up efforts to promote the green transformation of energy sources, accelerating the development of renewable energy sources. The oil service industry is highly regionalized and intensively served, and all of them have their own concentrated areas with high coverage, forming certain scale advantages. Overall, the competitive landscape of the oil services industry is becoming increasingly diversified, with technological innovation and diversified services becoming an important strategy to enhance competitiveness.

During the Reporting Year, the Group has overcome all difficulties and withstood the test of competitive market pressures during the period of restructuring of the global oil and gas industry, and has seized the opportunity of the industry's upturn to take its overseas business to a new level. With the "One Belt, One Road" initiative making impressive headway in Central Asia, energy cooperation in petroleum and natural gas has played a very positive role in bilateral cooperation, becoming a "ballast" and "propeller" of regional development. The Third "One Belt and One Road" International Cooperation Summit Forum has pointed out the direction for further expanding the scale of China-Central Asia energy cooperation, realizing the upgrading of energy cooperation, and drawn a brand new picture of the future in-depth energy cooperation. During the Forum, PetroChina, Sinopec and CNOOC signed oil and gas cooperation agreements with Kazakhstan. As a key overseas market for the Group, Kazakhstan will continue to contribute significant production output and profits to the Group. At the same time, labor costs and management fees in the region rose significantly due to inflation. The Group has laid a solid foundation for its performance through measures such as raising prices and efficiency, improving contract completion rates, actively exploring new markets and controlling rising expenses and expanded into new oil-field market. The Turkmenistan Project Department has fully leveraged its strengths, enhanced its technical service added-values, and actively searched for suitable entry points into the market, and in addition to continuing to consolidate its existing markets and projects, a number of promising markets are also being explored. Customers relating to the continuous oil pipeline operation projects in Turkmenistan changed from PetroChina to local oil companies, which marked the continuous oil pipeline operation project technology service becoming more mature. Most operations in Middle East have seized opportunities for new oil-field development in the predicament, realized the resource integration and undergone personnel training while moving forward. Operations made steady progress in the year 2023, continuing to maintain service advantages and order volume, with enhanced customer satisfaction and a steady increase in contracted orders. Currently, the types of services cover a wide range of fields, including well workover and salvage, downhole testing, ground test oil production and dynamic monitoring of reservoirs, etc. In the future, we will continue to expand the scale of our well workover services, and expand more types of business such as cementing and corrosion monitoring, so as to gradually lay a solid foundation for our business in the Middle East. In early 2023, the Group won the bid for the joint exploration and development rights of the Jabung Tengah Block in Indonesia, with a validity term of 30 years. As a major breakthrough in the Group's strategic business, it is expected to become a pillar business of the Group and provide fundamental guarantee for the Group's sustainable and healthy development. The first well of the Indonesian block has been successfully completed, presenting a large amount of oil and gas and discovering a pure gas layer, which lays a good foundation for further exploration and development of the entire oil and gas field block. Global R&D center in Singapore strived to consolidate core technologies and develop high-end tools, and its own tools was put into production and successfully applied, and in June 2023, the Company passed the product verification access of Baker Hughes Australia, and will continue to expand into new markets to secure new orders in the future, laying a solid groundwork for its long-term development; In North America, the launching of the production and sales business of high-end electronic pressure gauges and accessories for downhole monitoring continues. The global market achieved stable development with higher-quality products and made breakthroughs in the research and development of high-end equipment. The Group's Africa region, based on the bonded warehouse in Uganda, actively participated in the bidding of projects such as the lease of local warehouses and at the same time vigorously explored opportunities for cooperation in localized projects such as base construction. The Ghana Alcohol Plant carried out equipment modification and process improvement in the first half of the year, and the quality of alcohol was improved. In the second half of the year, raw materials were purchased from a single domestic source in Ghana to achieve cross-border procurement, which solved the problem of insufficient supply and saved the procurement costs.

DOMESTIC MARKET

During the Reporting Year, in order to thoroughly implement the General Secretary's important instructions on vigorously enhancing domestic oil and gas exploration and development and to "ensure that we must have our own say in respect of energy supply", China's oil and gas industry has made every effort to find more strategic breakthroughs and new discoveries. Domestic oil and gas exploration has yielded fruitful results, and overseas exploration business is satisfactory, steadily expanding our resources for high-quality development. In July 2023, the National Energy Administration held a work promotion meeting to vigorously enhance oil and gas exploration and development. The meeting requested that confidence should be strengthened, and oil and gas reserves and production should be pushed to a new level. China will make every effort to promote the construction of a national oil and gas supply guarantee base with increase in investment to centralize exploration and large-scale production in resource rich areas. China will strengthen deep-sea oil and gas exploration and development, accelerate the construction of a maritime power, accelerate the integration of oil and gas exploration and development with new energy, increase the promotion and application of the CCUS technology, and actively and steadily promote the green and low-carbon transformation of the oil and gas industry. Oil and gas companies have steadfastly implemented the State's "Seven-Year Action Plan" from year 2019 to 2025 to increase oil and gas reserves and production, embarking on both conventional and unconventional oil and gas extraction projects, which continued to build up crude oil production. Natural gas production has increased rapidly, and breakthroughs have been made in key exploration and development projects. Domestic investment in oil and gas exploration and development maintained a relatively high growth level. In 2023, investment in exploration and development for the whole year was approximately RMB390 billion, representing an increase of 10% over the same period last year, marking a record high. About 1.3 billion tons of proven oil reserves and nearly 1 trillion cubic meters of proven natural gas reserves have been added for the year. At the same time, ten years after China's "One Belt and One Road" initiative was put forward, it has now entered a new stage of high-quality development. Chinese enterprises are moving forward with international oil and gas cooperations, and will continue to be committed to the transformation and upgrading of international business, and strive to make contributions to safeguarding national energy security and promoting the development of the global energy industry. Enhanced capital expenditures and international cooperation in oil and gas operations will bring more business opportunities to oil service enterprises, and related companies will benefit from the improvement of industry prosperity.

During the Reporting Year, the oil and gas production of Tarim Oilfield reached a record high of 33.53 million tons. We serve the country in the oil industry to ensure national energy security and comprehensively promote national construction in the new era. Xinjiang has always been one of the key markets of the Group. The Tarim Oilfield of PetroChina and Sinopec Northwest Petroleum Bureau are the cornerstones of Xinjiang market which also covers the Xinjiang Oilfield and Qinghai Oilfield. During the Reporting Year, our customers requested refined management and continued to emphasize cost reduction and efficiency enhancement. Moreover, they toke cost per ton of crude oil as the main assessment standard to assess both the reservoir service segment and engineering segment, indicating that market competition has been fierce. The Group seized opportunities to expand business, and affirmed its main direction through continuous technological innovation and resolution of difficulties, so as to ensure higher performance. During the Reporting Year, the Company's well completion business in Xinjiang continued to maintain its leading position in the regional market, with depth, warmth and difficulty of operation breaking multiple records. The slim hole complex salvage business and ultra-deep open hole horizontal well dredging business performed well. In addition, the Xinjiang Regional Company also participated in the two "Super Projects of Central Enterprises", namely "successful development of one of the world's deepest oil and gas reservoirs" and the "full-scale development of China's largest ultra-deep condensate gas field", which fully demonstrated the outstanding strength of the Group's Reservoir service segment.

During the Reporting Year, the Group continued to consolidate the existing market share of the well completion business in the Sichuan and Chongqing markets, while actively exploring new markets, resulting in an overall sustainable growth. The well completion business in Sichuan-Chongqing market expanded into the natural gas storage and transportation sector in Chongqing in 2023. In particular, the fibre project was successfully signed, breaking the bottleneck of the Group's fibre business in the Sichuan and Chongqing region and laid the foundation for the expansion of the wellhead market in the future. In respect of the treatment for casing damaged well casings for Shale Oil Block, the Group has completed the technical preparation and implementation of pilot test wells. In response to the needs of customers, the Group has cooperated with higher petroleum universities and enterprises to develop and apply new technologies, and has successfully implemented chemical plugging operations for one well. We see it as an opportunity to open up the door for the treatment for casing damaged oil well casings for more customers.

In 2024, the business strategy and development plan of China National Offshore Oil Corporation ("CNOOC") shows that its exploration workload will remain at a high level. CNOOC will increase its efforts in natural gas exploration and push forward the construction of three trillion-cubic-meters-level natural gas regions in the South China Sea, the Bohai Sea and onshore China, respectively. It is expected that a number of high-quality new projects will be put into operation, including the Shenfu Deep-play Coalbed Methane Exploration and Development Demonstration Project. So far, 100-billion-cubic-meters of deep-play coalbed methane fields have been proven in the Shenfu area. During the Reporting Year, the Group won the bid for the 2024 to 2026 Linxing-Shenfu regional drilling technology service projects of China United Coalbed Methane Corp. Ltd. ("CUCBM") under CNOOC, and it will continue to provide drilling engineering general contracting services for Linxing-Shenfu well area of CUCBM. CUCBM undertakes the mission of building an onshore clean energy base and a trillion-cubic-meter onshore major gas area for CNOOC, and carries the major responsibility of ensuring national energy security. Since the Group won the bid for the project in 2021, it has operated a total of over 120 wells and all the work was well done, drawing a full stop to the first three-year contract. During the operation, the Group set a number of records, and was awarded several honorary titles by CUCBM, including the "Outstanding Contractor", the "Outstanding Operation Team" and the "Shenfu Iron Army". During the Reporting Year, the Group once again won the bid for drilling technical services project of CUCBM, demonstrating the Group's strong technical strength and excellent project management capability in drilling engineering general contract, manifesting customers' full recognition of the Group's technical strength, operation ability and corporate reputation, and marking Offshore Oil Project Department's taking root in CUCBM market, which laid a solid foundation for our subsequent layout in CNOOC' operations in Bohai, Western South China Sea, Eastern South China Sea and East China Sea. During the Reporting Year, the Group won the bid for CNOOC's temperature-resistant and salt-tolerant oil thickener procurement project again, signaling that the Group has established a stable partnership with CNOOC in oil output ramp-up. By upholding the aim of "Building Quality Project", the Offshore Oil Project Department will continue to improve measures, tap into potentials, manage and create efficiency to constantly enhance the Group's brand awareness among CNOOC.

During this Reporting Year, the Group's unconventional oil and gas and other operations were conducted in an orderly way. Jintan Gas Storage Phase I and II injection and production completion and snubbing supporting slickline operation technical services and Liuzhuang dynamic monitoring project continued, with the operation volume continuing into 2025. In order to actively respond to China's "carbon neutrality and carbon peaking" ("Dual Carbon") goal, China has made remarkable achievements in the rapid development of clean energy. Green and low-carbon transformation proceeded steadily and the proportion of renewable energy consumption continues to increase. It is estimated that under the "Dual Carbon" target, China's CCUS emission reduction requirement will be about 24 million tons per year in 2025, and will increase to 100 million tons per year in 2030. The Group actively responded to the call of the State's dual-carbon policy and acted on it from the perspective of long-term corporate development. To strategically diversify industrial construction, the Group has been building the CCUS industrial layout, and included the industrial transformation plan in our tasks and objectives. At present, we are actively following up and participating in a number of CCUS projects including that of CHN Energy Yulin Chemical Co., Ltd., a subsidiary of CHN Energy Investment Group. The CCUS project of CHN Energy Yulin Chemical Co., Ltd. is expected to commence in 2024. Our business for other CCUS markets is progressing steadily, and the Group won the tender contract awarded by China Energy Group Coal Liquefaction Company for the million-ton CCUS exploration site selection and exploration well construction services project in early 2024, and the geophysical prospecting personnel have arrived at the site and started the preliminary preparation.

To sum up, in 2023, the global oil and gas market and the oil and gas industry gradually recovered during the adjustment and remodeling phase. The market features lower overall prices, basically balanced supply and demand as well as on-going transformation. Against this backdrop, the Group has achieved in-depth development and landmark breakthroughs in both domestic and overseas markets. The Group will continue to adhere to the main business of oil service, continue to adhere to technology leadership, strengthen capacity building, and consolidate the foundation of a century-old enterprise. At the same time, the Group will seize the opportunity to accelerate the development of new energy business, accelerate the exploration and development of Indonesian oilfield blocks, build large-scale production capacity as soon as possible, and comprehensively improve the Group's development condition.

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

It has been four years since the Group emphasized the "technology-driven" development strategy in early 2020. During the Reporting Year, the Group adhered to its in-house R&D and technology import, provided individual service while proceeding process techniques integration, enhanced its capability while expanding its business field, moreover, it adapted to the changing trend towards oil and gas exploration and development industry so that it can fulfill the actual needs of customers and form a wide range of technical solutions, pursuing to a new field.

In terms of oil reservoirs service during the Reporting Year, in view of the situation that the exploration and development in Tarim Basin is extending to a depth of 10,000 meters, the Group initiated the research on acquiring bottomhole pressure and temperature data at 10,000 meters depth and its supporting technologies, completed research on techniques and equipment, and expected to be put in use on site in June 2024. In terms of acquiring bottomhole pressure and temperature data of the ultra-deep, ultra-high temperature, ultra-high pressure wells (the "**Three Ultra Wells**"), the Group continued to be ahead of its peers with actual maximum measured pressure of 182.4MPa, actual maximum measured temperature of over 185℃, and it carried out its R&D of quartz electronic pressure gauges with gauging range of 35000PSI (240MPa)/230℃, and completed the final assembly tests, aiming to officially put into use in 2024. The techniques of acquiring bottomhole pressure and temperature data at a depth of 10,000 meters and pressure gauges with gauging range of 35000PSI (240MPa)/230℃ marked a major breakthrough on acquiring bottomhole pressure and temperature data of the Three Ultra Wells by the Group. The Group completed the research on the integrated bottomhole pressure of salt cavern gas storage and shaft leakage monitoring techniques and put into use. The Group achieved long-term, constant and real-time recording of actual multipoint measurement data of bottomhole pressure and vertical data of whole shaft, which built a strong foundation for gas storage's capacity in injection-production cycle and safety analysis of shaft. This technology has broad prospects for promotion in the field of gas storage. The Group has successfully researched and developed multi-synergized effect on techniques of the production enhancement, addressing the production decrease as a result of capacity decrease, sedimentation, fouling, plugging, water blocking and other problems in heavy oil well, low-production well and sand production well.

In terms of drilling service, by integrating the Group's service ability and experience relating to drilling speed-up, rotary geosteering technology and fine managed pressure combined with the Group and its subsidiaries' R&D, manufacturing ability relating to negative pressure expanded hydraulic oscillators, drill bit and measurement while drilling tools, the Group successfully completed the deep coal seam horizontal well drilling project. In the actual practice, under the equivalent geological conditions, drilling time was successfully reduced from 8.54min/m to 4.48min/m, therefore, its consumption of drilling fluid and lubricant liquid was significantly reduced. A wide range of enhanced-speed, integrated application of technology solutions of horizontal drilling wells were competent to cope with the coalbed methane, shale gas, tight gas and other circumstances with diversified geological conditions so that it can effectively increase the drilling speed, shorten drilling cycle, and reduced the drilling cost. The Group was granted certain honorable titles from its customers such as "Outstanding Contractor", "Excellent Operation Team" and so forth through the practical application of a series of technical solutions.

In terms of well completion service, the 25K downhole safety valve and the permanent packer of 10K ultra-high temperature with small sizes and large diameters which were successfully researched and developed by ENECAL ("**Enecal PTE. Limited**"), a subsidiary of the Group, which marked the breakthrough and improvement to the under-pit tools designing and manufacturing area of the Group. With the accumulated experiences in the Three Ultra Wells workover tool service, integrated stratification string technology, segmented transformation and diversion technology, segmented completion string technology of horizontal well and soluble metallic materials technology, the Group completed the design of integration of separation-transformation- put-into-use string techniques of the Three Ultra Wells, and operated four-layers transformation of the Three Ultra Wells successfully, which signaled the breakthrough in techniques of the Three Ultra Wells and promoted the marketing of development way of the Three Ultra Wells, illuminating our future.

In terms of well workover service, in view of the complex and changeable actual situation of downhole, the Group simultaneously developed and manufactured specialized tools such as high-performance milling shoes, anti-seize milling taper, short catch overshot (短魚頭打撈), coupling mill sleeve and overall extended milling shoes, in order to solve the problems of handling complicated conditions in the well and salvage of tools falling in the well during workover. In light of difficulties such as distortion, rupture, blockage in the pipe, and buried annulus appearing on the tubes upon long-term development and production for the Three Ultra Wells with slim hole, the Group optimized a full set of targeted single well workover process control (including WOB ("weight on bit") , torque, displacement, etc.) and drilling tool sets for the Three Ultra Wells with slim hole in front of Tarim Mountains, and specially designed tools such as high temperature and strong magnetic drill collars, hollow milling shoes, thin-walled diamond milling shoes, managing to avoid the repetitive workover operation (grinding, casing milling, and fishing) in wells with slim hole due to limited space, with the efficiency of the workover operation increased by nearly 50%. For fracture-cavity karst reservoirs, one of the key development targets, a rapid repair technology for open hole well collapse has been developed, which utilizes high-pressure rotary drill bits, dissolving sieve tube, and releasing tool to realize the unblocking of open-hole section and running the tubing, meanwhile injecting acid to dissolve the soluble materials after the well dredging reaching the target depth, so as to achieve dredging and well completion in one run. Leveraging on the above, we managed to complete the unblocking and workover of ultra-long horizontal wells to achieve the resumption of production in suspended wells.

In the area of traditional oilfield service, based on the provision of high-quality technical services, the Group realizes its self-worth through creating value for customers under the guidance of research and development and innovation of technical products and processes. Moreover, rooting in the traditional oilfield service sector, the Group will march into the unconventional oil and gas sector, new energy and CCUS sectors, leading the sustainable development and growth of the Group's business.

HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2023, the major details of the human resources work in 2023 are as follows:

1. In terms of strategic manpower allocation, after taking into account of the Group's need in strategic development, conducted talent layout and planning in advance and allocated management and key technical personnel to build a team of high performance and efficiency, so as to escort the successful development and implementation of the Group's strategic projects;

2. Enhanced the organization and performance management system based on the operation performance direction, and immediately optimized and adjusted our business and teams based on the performance and results during the interim period;

3. Continued to optimize global business system for human resources under the international situation and uncertainties, so as to ensure the labour security, employee safety and compliance in each site globally;

4. Upgraded management systems for international talents, including international employee system, labour dispatching system and local worker management system;

5. In terms of training and development:

    (i) implemented tailored cultivating program for key personnel;

    (ii) initiated medium- and long-term international talent training;

    (iii) formulated development plan for management personnel, carried out off-line management trainings to simulate management case on site, with a focus to promote the management efficiency of managers at intermediary and primary levels;

    (iv) actuated innovation-oriented technology to benchmark new fields of technology research and development and application at home and abroad, and integrated training resources to facilitate innovative breakthroughs in new technologies, new processes and new tools;

    (v) continued to leverage the advantages of the online learning platform to customize daily online learning plans for the Group's employees at home and abroad, which covering technology, management and integration, and conducted regular live streaming trainings on efficiency improvement. In 2023, the total participants of the Group's training sessions were 15,934, totaling 124,327 training hours cumulatively.

As of 31 December 2023, the Group had a total of 4,199 employees, representing a decrease of 132 employees from 4,331 employees as at 31 December 2022. The actual labour costs of the Group in 2023 were controlled within the budget range set at the beginning of this year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, revenue of the Group was RMB1,947.2 million, representing a year-on-year increase of RMB190.0 million, or 10.8%, as compared with that of RMB1,757.2 million for the previous year. The increase was mainly due to the expansion of operating activities of the Group.

Other gains/(losses), net

For the year ended 31 December 2023, other gains, net of the Group were RMB12.3 million, as compared with other losses, net of RMB7.6 million for the previous year. The change was mainly due to the fluctuations in foreign exchange rates and the gain realized upon the transfer of a subsidiary to a joint venture.

Material costs

For the year ended 31 December 2023, material costs of the Group were RMB549.2 million, representing a year-on-year increase of RMB66.4 million, or 13.8%, as compared with that of RMB482.8 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Employee benefit expenses

For the year ended 31 December 2023, employee salary expenses of the Group were RMB627.2 million, representing a year-on-year increase of RMB35.3 million, or 6.0%, as compared with that of RMB591.9 million for the previous year. The increase was mainly due to the increase in staff costs resulting from expansion of the operating activities of the Group.

Short-term and low-value lease expenses

For the year ended 31 December 2023, short-term and low-value lease expenses of the Group were RMB124.0 million, representing a year-on-year increase of RMB10.4 million, or 9.2%, from RMB113.6 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Transportation costs

For the year ended 31 December 2023, transportation costs of the Group were RMB33.8 million, representing a year-on-year increase of RMB5.2 million, or 18.2%, as compared with that of RMB28.6 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Depreciation and amortisation

For the year ended 31 December 2023, depreciation and amortisation of the Group was RMB71.2 million, representing a year-on-year decrease of RMB2.9 million, or 3.9%, as compared with that of RMB74.1 million for the previous year. The decrease was mainly due to certain fixed assets becoming fully depreciated.

Technical service expenses

For the year ended 31 December 2023, technical service expenses of the Group were RMB265.2 million, representing a year-on-year increase of RMB113.5 million, or 74.8%, as compared with that of RMB151.7 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Impairment losses of assets

For the year ended 31 December 2023, impairment losses of assets of the Group were RMB51.6 million, while the impairment losses of assets of the Group were RMB33.0 million for the previous year, representing a year-on-year increase of RMB18.6 million or 56.4%. The increase in impairment losses of assets was mainly due to the Group's more cautious consideration on provision for bad debts.

Others

For the year ended 31 December 2023, other operating costs of the Group were RMB183.3 million, representing a year-on-year decrease of RMB37.8 million or 17.1%, as compared with that of RMB221.1 million for the previous year.

Operating profit

Based on the above reasons, operating profit of the Group during the Reporting Year was RMB54.0 million, compared with the operating profit of RMB52.9 million for the previous year.

Finance costs, net

For the year ended 31 December 2023, finance costs, net of the Group were RMB31.1 million, representing a year-on-year decrease of RMB6.3 million, or 16.8%, as compared with that of RMB37.4 million for the previous year. The decrease was mainly due to the decrease in interest expenses as a result of the decreased financing efforts by the Group.

Investment income from associates under the equity method

For the year ended 31 December 2023, investment losses from associates under the equity method of the Group was RMB1.3 million.

Income tax expense

For the year ended 31 December 2023, income tax expense was RMB12.8 million, compared with the income tax credit of RMB8.8 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Profit for the year

As a result of the explanations above, profit of the Group for the Reporting Year was RMB8.8 million, while profit for the previous year was RMB7.5 million.

Profit attributable to equity holders of the Company

For the year ended 31 December 2023, profit attributable to equity holders of the Company was RMB16.7 million, while profit attributable to equity holders of the Company for the previous year was RMB13.2 million.

Property, plant and equipment

As at 31 December 2023, the property, plant and equipment was RMB407.0 million, representing a decrease of RMB23.1 million, or 5.4%, from RMB430.1 million as at 31 December 2022. The decrease was mainly due to the depreciation charges during the year exceeding its increase.

Right-of-use assets

As at 31 December 2023, the carrying value of right-of-use assets amounted to RMB55.8 million, representing a decrease of RMB5.1 million, or 8.4%, from RMB60.9 million as at 31 December 2022. The decrease was mainly due to the amortisation of the right-of-use assets and the derecognition upon early termination of certain lease contracts on machinery and equipment.

Intangible assets

As at 31 December 2023, intangible assets were RMB14.6 million, representing a decrease of RMB1.3 million, or 8.2%, as compared with that of RMB15.9 million as at 31 December 2022. The decrease was mainly due to the amortisation during the Reporting Year.

Deferred income tax assets

As at 31 December 2023, deferred income tax assets were RMB115.4 million, representing an increase of RMB0.1 million, or 0.1%, from RMB115.3 million as at 31 December 2022.

Prepayments and other receivables

As at 31 December 2023, non-current portion of prepayments and other receivables was RMB33.5 million, compared with that of RMB0.3 million as at 31 December 2022. Current portion of prepayments and other receivables was RMB238.8 million, as compared with that of RMB208.6 million as at 31 December 2022.

Inventories

As at 31 December 2023, inventories were RMB656.6 million, representing an increase of RMB99.9 million, or 17.9%, from RMB556.7 million as at 31 December 2022. The increase was mainly due to the expansion of the operating activities of the Group.

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

As at 31 December 2023, contract assets, trade and note receivables were RMB1,038.4 million, representing a decrease of RMB133.7 million, or 11.4%, from RMB1,172.1 million as at 31 December 2022. The decrease was mainly due to more timely collection of accounts receivable during the Reporting Year. As at 31 December 2023, contract liabilities, trade and note payables amounted to RMB821.6 million, representing an increase of RMB34.4 million, or 4.4%, from RMB787.2 million as at 31 December 2022. The increase was mainly due to the expansion of the operating activities of the Group.

Liquidity and capital resources

As at 31 December 2023, cash and bank deposits of the Group, comprising cash and cash equivalents and restricted bank deposits, were RMB325.6 million, representing an increase of RMB30.9 million, or 10.5%, from RMB294.7 million as at 31 December 2022. The increase was mainly due to the expansion of the operating activities of the Group.

As at 31 December 2023, short-term borrowings and current portion of long-term borrowings of the Group were RMB416.2 million while the long-term borrowings were RMB77.2 million. As at 31 December 2022, short-term borrowings and current portion of long-term borrowings of the Group were RMB499.5 million while the long-term borrowings were RMB43.0 million. As at 31 December 2023, bank borrowings of the Group were mainly denominated in RMB and such borrowings were generally subject to a fixed interest rate.

As at 31 December 2023, current lease liabilities of the Group amounted to RMB10.9 million and non-current lease liabilities amounted to RMB13.3 million. As at 31 December 2022, current lease liabilities of the Group amounted to RMB11.4 million and non-current lease liabilities amounted to RMB16.6 million.

As at 31 December 2023, gearing ratio of the Group was 40.3%, representing a decrease of 6.3% as compared with 46.6% as at 31 December 2022. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2023, the total number of ordinary shares of the Company in issue was 1,953,775,999 shares (31 December 2022: 1,853,775,999 shares). As at 31 December 2023, equity attributable to the equity holders of the Company was RMB1,300.1 million, representing an increase of RMB65.3 million, or 5.3%, as compared with RMB1,234.8 million as at 31 December 2022.

Significant investment held

As at 31 December 2023, the Group did not hold any significant investment.

Acquisitions and disposals of subsidiaries and associates

The Company had no material acquisitions and disposals of subsidiaries and associates during the Reporting Year.

Assets pledged to secure bank borrowings

As at 31 December 2023, the Group pledged parts of its right-of-use assets and trade and note receivables to secure the bank borrowings of the Group. The carrying values of assets pledged are as follows:

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Right-of-use assets	**2,852**	3,509
Trade and note receivables	**56,400**	146,760

Assets pledged to secure the loans from a third party institution

Loans from a third party financial institution of the Group are expiring from 2023 to 2026 and are secured by certain machinery with a carrying amount of RMB182,988,000 (2022: RMB160,255,000), and guaranteed by one subsidiary of the Group.

Foreign exchange risk

Fluctuations in exchange rates of Tenge ("KZT") and USD have exposed the Group to foreign currency exchange risk. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales to and purchases from overseas are mostly denominated in USD. Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts in Kazakhstan are required to be denominated in KZT. On average, in 2023, the exchange rate of KZT against RMB increased by 4.4% generally, and the exchange rate of USD against RMB increased by 1.7% generally as compared with last year, but such movement did not have a significant impact on the overall business of the Group.

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 31 December 2023, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 31 December 2023, the Group had capital expenditure commitments of RMB63.8 million.

OUR PLANS

Looking forward to 2024, under the background of growing geopolitical conflicts and uncertainties as well as high inflation and high interest rates, the global economy still faces great downside risk. Given the constant threats to global energy security, while the international petroleum companies have been speeding up the exploration and exploitation, higher level prosperity has been achieved in oil-field service market and new opportunities and challenges are expected to be presented in oil-field service industry. Responding to challenges from external complexity, the Group will continuously improve its self-operation capability to realize all-round enhancement of quality and efficiency and to help with the Company's high-quality development and will proactively protect the interest of investors. To grasp opportunity and meet challenges in the current circumstances, the Group will keep its feet on the ground and move forward the following work under the new strategic guidance in 2024:

1. The Group will take advantage of a period of strategic opportunity where the global energy market undergoes profound changes. Gradual improvement of energy transition was made under the proposal of "Discover more untapped reserves, increase production, and ensure secure energy supply, promote green and low-carbon development to achieve 'dual carbon' goal" put forward by the Chinese Government which called for "put us in a position to ensure energy supply". The Group will expand into oversea market based on domestic market, speed up internationalization, explore emerging markets and deploy strategic markets. The Group will focus on the need of "achieving progress in high-end, smart and low-carbon development" from customers, facilitating the Group's value and creativity. The Group will implement updated measures relating to "with one in lead and two in assistance" strategic layout, to ensure to record continuous profitability and faster development. The Group will adhere to its principal business of oil field service, maintain the dominant position in oil field service industry chain, stick to be guided by technology and increase capability construction, so as to consolidate the foundation for the Group, to be as a hundred-year life long enterprise. The Group will seize the opportunity to stimulate the development of new energy business, accelerate the exploration and exploitation of oilfield in Indonesia so as to achieve large-scale capacity and thoroughly improve the Group's development environment.

2. The Group will adhere to the long-term strategy of "technology leads the development of the company, innovation leads to promising future". Upon the strategy of "technological innovation adds growth drivers, improvement of quality and efficiency facilitates development", the Group will continuously take advantage of cutting-edge technological solutions to meet the rising demand for service and carbon emission reduction, realizing sustainable development with technological innovation. The Group not only values single technological innovation, but also attach great importance to improving its ability to provide oil and gas companies with full business process of centralized, integrated and comprehensive energy technology service solutions in the process of energy transformation. The Group will deeply involve in projects and technology, effectively improve market competitiveness to strengthen its market position.

3. The Group will set clear management goals, continuously update corporate governance ideas, improve the profitability, risk management and control ability, cost management and control ability and consolidate the overall ability construction. The Group will increase flexibility and risk prevention ability by improvement and implementation of profitability incentive scheme, oversight and accountability of mechanism for security, internal control compliance and investment and cash flow, all-out cost control through every production line and steps, improvement of quality and efficiency and building of high-level technical team and market team.

4. The Group will constantly retain more talents to empower corporate development. Through building comprehensive talent development plan, the Group will build a echelon of management, technicians and marketing talents who have "ideals, a strong sense of responsibility and competes bravely, young and strive for excellence" and form a team with high comprehensive quality, highly professional and capable of running international projects. Depending on major technological projects, the Group will facilitate the cultivation of innovative team and leaders. The Group will constantly stimulate innovation vitality of technicians through appointment of outstanding and innovative technicians as leaders. The Group will build a positive, fair platform for sustainable development, care for employee well-being and incentivize their enthusiasms to realize better performance and value.

5. The Group will continuously establish long-term effective ESG management system, incorporating ESG and sustainable development concept into decision-making and operations of the Company. The Group will continuously improve the corporate governance, information disclosure, social communication to build good internal and external environment and to strengthen stable growth and sustainable development. Meanwhile, the Group will actively fulfill social responsibilities of green and low-carbon development together with upstream and downstream partners.

FINAL DIVIDEND

The Board did not propose a final dividend for the year ended 31 December 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting to be held on 26 June 2024, the register of members of the Company will be closed from 21 June 2024 to 26 June 2024 (both dates inclusive). All transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of conduct regarding Directors' securities transactions.

Having made a specific enquiry to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Listing Rules as its own code of corporate governance.

The Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2023. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

Save as otherwise disclosed in this announcement, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2023 of the Group with the auditor of the Company.

PUBLICATION

The annual results announcement for the year ended 31 December 2023 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sptenergygroup.com) respectively. The 2023 annual report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
SPT Energy Group Inc.
Mr. Ethan Wu
Chairman

Hong Kong, 26 March 2024

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

* *For identification purpose only*