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

* For identification purpose only

2021
ANNUAL REPORT

Contents

Corporate Information

THE BOARD

Executive Directors

Mr. Wang Guoqiang *(Chairman)*
Mr. Ethan Wu *(Chief Executive Officer)*
Mr. Li Qiang

Non-Executive Directors

Mr. Wu Jiwei
Ms. Chen Chunhua

Independent Non-Executive Directors

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Wan Kah Ming

AUDIT COMMITTEE

Mr. Wu Kwok Keung Andrew *(Chairman)*
Ms. Chen Chunhua
Mr. Wan Kah Ming

REMUNERATION COMMITTEE

Ms. Zhang Yujuan *(Chairman)*
Mr. Wang Guoqiang
Mr. Wu Kwok Keung Andrew

NOMINATION COMMITTEE

Mr. Wang Guoqiang *(Chairman)*
Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew

AUTHORISED REPRESENTATIVES

Mr. Wang Guoqiang
Ms. Ho Siu Pik

COMPANY SECRETARY

Ms. Ho Siu Pik *(FCG, HKFCG)*

COMPANY WEBSITE

www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jia No. 8 Hongjunying East Road
Chaoyang District
Beijing
PRC
(postal code: 100012)

Corporate Information

REGISTERED OFFICE

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Grand Pavilion, Hibiscus Way
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Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL COUNSEL

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
Bank of Kunlun Company Limited
Bank of China Limited

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

1251

DATE OF LISTING

23 December 2011

Financial Summary

The following financial information is extracted from the consolidated financial statements of SPT Energy Group Inc.（the "Company"）and its subsidiaries (the "Group"), which is prepared under the International Financial Reporting Standards:

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
RMB'000	**2021**	2020	2019	2018	2017
Revenue	**1,588,799**	1,289,267	1,949,459	1,471,649	1,100,642
Other gains/(losses), net	**4,895**	25,550	(7,693)	(28,947)	36,618
Operating costs	**(1,540,296)**	(1,379,218)	(1,648,674)	(1,315,791)	(1,090,448)
Operating (profit)/loss	**53,398**	(64,401)	293,092	126,911	46,812
Finance costs, net	**(41,993)**	(36,595)	(30,355)	(30,804)	(29,677)
Investment gains from associates accounted for using the equity method	**470**	148	–	–	–
Profit/(loss) before income tax	**11,875**	(100,848)	262,737	96,107	17,135
Profit/(loss) for the year	**4,187**	(98,404)	200,127	76,639	3,260
Attributable to:					
Owners of the Company	**8,795**	(91,189)	198,926	81,798	5,541
Non-controlling interests	**(4,608)**	(7,215)	1,201	(5,159)	(2,281)
Dividends proposed after balance sheet date	**–**	–	–	–	–

Financial Summary

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
RMB'000	**2021**	2020	2019	2018	2017
Assets					
Non-current assets	**647,188**	679,011	657,748	521,081	558,928
Current assets	**2,139,501**	2,025,330	2,473,726	1,938,916	1,430,895
Total assets	**2,786,689**	2,704,341	3,131,474	2,459,997	1,989,823
Total equity	**1,205,640**	1,231,371	1,499,569	1,251,412	978,098
Liabilities					
Non-current liabilities	**286,897**	301,728	117,630	161,632	39,300
Current liabilities	**1,294,152**	1,171,242	1,514,275	1,046,953	972,425
Total liabilities	**1,581,049**	1,472,970	1,631,905	1,208,585	1,011,725
Total equity and liabilities	**2,786,689**	2,704,341	3,131,474	2,459,997	1,989,823

Chairman's Statement

We strive to become a first-class international energy services enterprise.

Wang Guoqiang
Chairman of the Board

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I present the annual report of the Group for the year ended 31 December 2021 (the "Reporting Year") to the shareholders of the Company.

During the Reporting Year, the Group's revenue amounted to RMB1,588.8 million and the profit attributable to the owners of the Company amounted to RMB8.8 million.

Chairman's Statement

MARKET REVIEW

Looking back to 2021, the world economy managed to keep its momentum regardless of the negative impact arising from multiple waves of the COVID-19 pandemic (the "Pandemic"). The year of 2021 was also an extraordinary year for global oil market. The ongoing Pandemic has triggered energy crisis worldwide, which in turn led to the continued increase in international crude oil price and a sharp increase in global gas price. Meanwhile, many countries began to adjust their energy policies and planning targets in the context of joint promotion of carbon neutrality. In other word, in the current period and a certain period in the near future, the oil and gas industry will face a volatile situation while oil companies will conduct strategies adjustments. Oil-field service companies are also keeping pace with and constantly employing new technologies to meet new market demands.

In the previous year, China stayed ahead of the world in terms of economic growth and Pandemic prevention, which played an exemplary and leading role in the world. The oil market of China gradually returned to normal as the Pandemic eases. 2021 is a crucial year for China's oil companies to complete the "seven-year action plan". The three major oil companies focused on key basins, key areas and unconventional areas, and made full efforts to strengthen exploration and development, and achieved growth for both oil and gas production and reserves. At the same time, China achieved a significant recovery in operating performance and accelerated development and transformation. 2021 is the first year of the "14th Five-Year Plan", and the state has put forward new requirements for "stabilizing energy consumption and ensuring supply security" for the implementation of the new energy security strategy. The upstream investment of the three major oil companies in oil and gas has rebounded whereas the capital expenditure of traditional energy has remained low. Therefore, the oil-field service industry is still facing a complex market environment and fierce competition while the prosperity of the oil-field service industry is gradually improving.

Under such external environment, the Group withstood the test of the industry's downturn in 2021 by seizing the favorable opportunity of energy transformation and policy guarantee, overcoming difficulties, seeking breakthroughs, all of which ensured the overall improvement in performance. In respect of overseas markets, the Group's Central Asia region, as the Company's traditional market, overcame the adverse impact resulted from the spread of the overseas Pandemic on the resumption of work and production, and exceeded the scheduled output value and profit target, which played a ballast role in the Company's annual performance growth. While stabilizing the traditional market, the Group has been trying to expand into markets such as the Middle East and Africa in recent years. During the period, the African Region was formally established and the Uganda Customs Bonded Warehouse Park was invested and built, which laid a solid foundation for the Group's market expansion in Africa. At the same time, the Group expanded into markets such as South Sudan, Chad and Niger, and service projects began to be implemented one after another. In terms of PRC market, the Group continued to expand the depth and breadth of its layout. In Xinjiang region, we successfully marched into the Northwest oil-field market of Sinopec. The well completion business in the Sichuan-Chongqing market has always maintained its leading position in the market. Our position in the unconventional oil and gas market continued to stay consolidated. We have gained new market shares in natural gas, shale gas, coalbed methane, salt-cavern gas storage and gas treatment. Meanwhile, we will vigorously expand the offshore oil and gas market and rapidly promote the layout of the growth market. As for products and technologies, in 2021, the Group kept on adhering to the strategy of "technology-driven". Guided by market demand, we continuously promoted the development of the Company's technological capabilities through various channels such as independent research and development, technology introduction and integration of technical resources, which in return formed a series of new technical solutions. For example, in the Tarim Oil-field, the connected well was accurately and successfully connected with the target well, the optimization and upgrading of the well completion divider was successfully completed and put into use

Chairman's Statement

on a large scale, a major breakthrough in the workover operation technology of ultra-deep wells in carbonate rock was achieved, the performance and quality of self-developed and self-built leakage materials fill the technical gaps in the inspection industry and so on. In terms of internal management, the Group strictly fulfilled its environmental, social and governance responsibilities, and continuously enhanced its anti-risk capabilities and sustainable development capabilities. We will continue to implement refined management, increase revenue and reduce expenditure, reduce costs and increase efficiency, and respond to changes of external environment to ensure the long-term survival and development of the enterprise. In addition, the Group continued to promote the establishment and operation of the global human resources business system and information system, enhance and improve the performance management system, optimize the staff structure and reserve new project talents, build an open platform with positive atmosphere, focus on the development and growth of employees, and build a first-class management team. In terms of external cooperation, the Group renewed the strategic alliance cooperation agreement with Halliburton (China) Energy Services Co., Ltd. ("Halliburton") and Tarim Oil-field Branch in 2021. Since 2006, the Group and Halliburton have given full play to the advantages of the alliance and cooperation to provide technical support and excellent services to the Tarim Oil-field Branch. The Group will further deepen its cooperation with Halliburton in technology promotion and provide customers with high-quality and efficient technical support and service guarantee during the transformation of the energy industry.

PROSPECTS

At the beginning of 2022, many European countries have successively announced plans to lift all restrictions on the COVID-19 pandemic while countries around the world have gradually groped their way to form an economic growth model that coexists with the virus in the course of COVID-19 prevention and control. From this, the World Bank and other institutions concluded that the "global economic growth in 2022 remained positive". Economic growth generally boosts oil and gas demand. However other factors, such as, underinvestment in oil and gas industry in recent years, low crude oil inventories in major economies, tight monetary policies, geopolitics, extreme weather have made the already tight supply in the market even worse.

Meanwhile, the global energy restructuring has speeded up, with more than 130 countries around the world putting forward the goal of achieving carbon neutrality. Major countries in the world are accelerating their transition to green and low-carbon development. Major oil companies of international level will further accelerate their transformation and development process, with the exploration and development leaning towards investing in assets with good economic benefits and low costs. While ensuring the quality and efficiency of traditional oil and gas business, we steadily promoted diversified development in green and low-carbon. However, the energy transition cannot be achieved overnight. It is difficult for the world's economic and social development to abandon fossil energy in the next few decades, and natural gas, as a clean energy source, will become a long and important transitional alternative. While steadily promoting the emission reduction and production increase of core business and ensuring sufficient cash flow, the oilfield services companies are actively investing in new technologies and new businesses in the low-carbon field and transforming into energy technology service enterprises.

Chairman's Statement

According to the Global and China Energy Outlook to 2060, oil and gas will remain the main source of energy by 2040, accounting for about 50% of the primary energy. In 2021, both of the additional proven geological oil and natural gas reserves hit the record high, the shale oil and gas exploration achieved strategic breakthrough, and the offshore oil and gas exploration continued to present a new situation. Therefore, in 2022, China will continue to promote the reform of the energy sector by continuing the established policy theme, so as to improve the oil and gas supply capacity and ensure the national energy security. This will bail the domestic oilfield service industry out of its slump to face the arduous challenges and the promising future.

To this end, the Group will launch a normalized Pandemic prevention and control emergency mechanism in 2022 by giving full play to its own advantages on an ongoing concern to fight against risks and adhering to the concept of technology to lead the development of the Company, thereby vigorously improving market exploiting capabilities and market competitiveness, optimising the level of refined management. New breakthroughs have been achieved by tapping potential, increasing efficiency, and promoting strategic transformation. The Group continued to practice management innovation and business model innovation, strived for market share in the fierce industry competition, and steadily increased the output value and the profit. In terms of the domestic market, the Group will seize the period of strategic opportunity for the transformation and development of the domestic energy industry in China. The Group will leverage stimulation chemicals for Nano oilfield, fiber optic monitoring technology, chemical plugging technology, high-temperature rotary steering technology, re-fracturing technology, PVT sampler, high-temperature and high-pressure resistant packers and other new technologies and new products, to consolidate traditional markets in places such as Xinjiang, Sichuan and Chongqing. In terms of the management of oilfield with broken bushing of shale gas sub-area in Changning, the Group will start operation for pilot test wells soon, since it has completed relevant technical preparation and technical proposal demonstration for the wells. New orders have been signed for the underground gas storage business. Also, the Group will launch to develop offshore oil and gas market immediately after the strategic deployment formulated by CNOOC was put in place. In terms of the overseas market, the Group will continue to consolidate traditional competitive markets such as Central Asia. The project department in Turkmenistan once again won the bid for drilling, repair, and geological supervision services, whereas the project department in Aktau won the bid for the major workover project, which guaranteed the Group's market share in the region in the next four to five years. In terms of the Middle East market, the Group will enter the Dongba oil field in Iraq. In terms of the African market, the Group will continue to develop in Uganda, South Sudan, Chad, Niger, Ghana and other countries. In terms of the technological development, the Group will accelerate the pace of innovation in science and technology as well as the transformation in 2022 to enhance its core competitiveness. Guided by customer needs, the Group will provide refined single-item technical services and develop to improve system solution capabilities, and extend its existing technical capabilities to new business areas. In terms of strategic transformation, the Group will adopt a gradual strengthening approach, adhere to the principle of seeking truth from facts and tailoring measures, and strengthen the investment in new areas such as carbon dioxide capture, utilization and storage (CCUS) and geothermal, so as to enhance the business layout and enhance the competitiveness and survivability of the Group. The Group deeply recognizes the importance of ESG to the oil and gas industry. We will integrate ESG into the whole process of enterprise decision-making and operation, and insist on building an open and fair platform for the enterprise to create a better environment for its sustainable development.

Chairman's Statement

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all of our respected shareholders, customers, business partners and investors for their trust and support, also to all of our employees for their contribution. Although the journey ahead may be long and arduous, with sustained actions, we will eventually reach our destination and embrace a brighter future. We will endeavor to promote growth, reform and innovation, facilitate a smooth transformation and achieve steady development so as to bring better return of investment to our shareholders.

Wang Guoqiang
Chairman of the Board

Management Discussion and Analysis

BUSINESS OVERVIEW

During the Reporting Year, the COVID-19 pandemic (the「Pandemic」) fluctuated repeatedly under the impact of mutated strains. Nonetheless, increased global vaccination rate of the COVID-19 vaccines (the "COVID-19 Vaccine") resulted in stronger public protection from the virus, decreased potency of the Pandemic and the normalization of Pandemic prevention measures. In 2021, governments around the world launched numerous economic stimulus plans which enabled the global economy to show a trend of recovery. China and the United States, the world's two largest economies, are experiencing significant recovery. The demand in the global oil market gradually recovered and entered into a state of tight balance with controlled supply. International oil price showed a trend of decrease after a sharp and concussive increase during the period. While the oil and gas industry was experiencing a mild recovery, domestic and foreign oil companies underwent transformation, actively explored green and low-carbon new direction and continued energy transformation strategies in order to achieve the goal of carbon peak and carbon neutrality. Impacted by the Pandemic and business transformation, oil and gas companies' confidence in the prospect of oil and gas industry remained weak in 2021 and the investment growth in upstream oil and gas exploration was less than our expectation. Therefore, it is an arduous and long journey for the oilfield service industry as market landscape is complicated and market competition is intense. Impacted by the Pandemic and business transformation, oil and gas companies remained cautious in terms of the upstream exploration and development. Accordingly, it is an arduous and long journey for the oilfield service industry as market landscape is complicated and market competition is intense.

In response to the uncertainties and complex industry situation brought by the repeated impacts of the Pandemic, the Group stood up to difficulties, sought breakthroughs and overcame the adverse impacts caused by the internal and external environment. By fully leveraging its advantages against business risks, the Group safeguarded its smooth operation and achieved a year-on-year turnaround from loss to profit. During the Reporting Year, both the revenue and profit of the Group increased. During the Reporting Year, the Group recorded a revenue of RMB1,588.8 million, representing an increase of RMB299.5 million or 23.2% from the previous year; and recorded a profit of RMB4.2 million compared with a loss of RMB98.4 million was recorded in the previous year. In response to the impacts and opportunities brought by the COVID-19 Pandemic and energy transition to the markets in People's Republic of China (「PRC」) and overseas, specific measures taken by the Group are as follows:

Firstly, we continued to normalize the Pandemic prevention and control work to ensure productivity and work safety. The Joint COVID-19 Prevention and Control Task Force of the Group strictly implemented domestic control policies, closely monitored the situation of overseas Pandemics, and adjusted Pandemics prevention strategies in a timely manner, which effectively enhanced productivity, operating efficiency and protected the life, health and safety of employees.

Secondly, we continued to implement the development strategy of "Technology-led development, continued improvement of management efficiency". The Group's technical capabilities were improved and enhanced through various means such as independent research and development, technology introduction and integration of technological resources. During the year, the Group has tackled challenges in and introduced new technologies and new processes in the business segments of oil reservoir, drilling, well completion, well workover and fracturing, resulting in an increase in the operation efficiency of the Group.

Management Discussion and Analysis

Thirdly, we were customer-driven and actively expanded into emerging markets. Facing the adverse impacts from fierce market competition in the oil-field service industry, customers' optimization of capital expenditure structure, depressed service prices and the continuing impact of the Pandemic, the Group maintained the business strategy of "led by technology, early deployment". In the context of the accelerated energy transition by customers, the Group continuously integrated quality resources, optimized business structure, and expanded into emerging markets and low-carbon projects in order to drive the coordinated development of traditional businesses and new energy operations.

Fourthly, the Group continuously implemented refined management and maintained stable growth by reducing costs and increasing efficiency. The Group is committed to enhancing the ability to resist risks and to maintain sustainable development; increasing revenue, reducing expenditure and improving economic efficiency and labor efficiency, in order to address changes in the external environment, and ensure the long-term survival and development of the Company.

Fifthly, the Group strictly fulfilled our environmental, social and governance responsibilities to ensure the appropriate and effective environmental, social and governance risk management and internal control systems are in place. The Group has been committed to promoting the establishment and operation of a global human resources business system and information system, upgrading and improving the performance management system; optimizing the staff structure and building talent pool for new projects; creating a transparent and clean platform to focus on the development and growth of employees, so as to build a first-class management team.

In light of the above as disclosed, despite the difficult situation in the oil-field service industry during the year, the Group worked together to fight against the epidemic, stabilize production, expand the market and seek transformation. The Group has been adopting prudent financial policies and adhered to the asset-light operation strategy, achieving year-on-year growth in performance, which fully demonstrated that the Group had strong risk resistance capacity and operational flexibility.

REVENUE ANALYSIS

During the Reporting Year, the Group realised revenue of RMB1,588.8 million, representing an increase of RMB299.5 million or 23.2% over last year. The analysis of the Group's revenue by business segment is as follows:

	For the year ended 31 December		
	2021 *RMB'000*	2020 *RMB'000*	Change *(%)*
Revenue			
Reservoir	**741,977**	559,786	32.5%
Drilling	**567,631**	434,644	30.6%
Well completion	**279,191**	294,837	(5.3%)
Total	**1,588,799**	1,289,267	23.2%

Management Discussion and Analysis

Impacts of the Pandemic are gradually waning with increased public immunity against the virus brought by an increased global vaccination rate of the Vaccine. The demand in the world oil market has gradually recovered, and the Group's revenue has achieved a certain degree of growth in 2021. Revenue from reservoir segment accounted for 46.7% of the total revenue, representing an increase of RMB182.2 million or 32.5%. Revenue from drilling segment accounted for 35.7% of the total revenue, representing an increase of RMB133.0 million or 30.6%. Revenue from well completion segment accounted for 17.6% of the total revenue, representing a decrease of RMB15.6 million or 5.3%. Revenue from reservoir segment and drilling segment increased significantly, mainly as a result of the increase in station operation and maintenance services, oilfield monitoring business and well drilling and workover business. Revenue from well completion segment slightly declined mainly because of the difference in the supply time of well completion tools in China.

RESERVOIR SERVICE SEGMENT

	For the year ended 31 December		
	2021 ***RMB'000***	2020 *RMB'000*	Change *(%)*
Revenue from reservoir services			
Overseas	**247,180**	233,753	5.7%
PRC	**494,797**	326,033	51.8%
Total	**741,977**	559,786	32.5%

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

During the Reporting Year, the Group's reservoir segment achieved steady growth and recorded revenue of RMB742.0 million, representing an increase of RMB182.2 million or 32.5% as compared to previous year. In 2021, reservoir segment in China has recorded revenue of RMB494.8 million, representing an increase of RMB168.8 million or 51.8%, and accounted for 66.7% of the total revenue of reservoir segment. As for overseas reservoir segment, it recorded revenue of RMB247.2 million in 2022, representing an increase of RMB13.4 million or 5.7%, and accounted for 33.3% of the total revenue of reservoir segment. In the current year, the significant increase in revenue of domestic reservoirs was mainly due to the increase in station operation and maintenance services in Xinjiang and monitoring business in Sinopec Group Northwest Petroleum Branch.

Management Discussion and Analysis

DRILLING SERVICE SEGMENT

	For the year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from drilling services			
Overseas	**168,881**	113,037	49.4%
PRC	**398,750**	321,607	24.0%
Total	**567,631**	434,644	30.6%

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 RMB567.6 million, representing an increase of RMB133.0 million or 30.6% as compared to previous year. In 2021, drilling segment in China has recorded revenue of RMB398.8 million, representing an increase of RMB77.1 million or 24.0% as compared to previous year, and accounted for 70.2% of the total revenue of drilling segment. Such increase was mainly attributable to the increase in the volume of CUCBM's drilling package business and well workover business. As for overseas drilling segment, it recorded revenue of RMB168.9 million, representing an increase of RMB55.8 million or 49.4%, and accounted for 29.8% of the total revenue of drilling segment. The growth was attributable to the increase in overseas workover operations.

WELL COMPLETION SERVICE SEGMENT

	For the year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from well completion services			
Overseas	**111,888**	93,633	19.5%
PRC	**167,303**	201,204	(16.8%)
Total	**279,191**	294,837	(5.3%)

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

Management Discussion and Analysis

During the Reporting Year, well completion service segment recorded revenue of RMB279.2 million, representing a decrease of RMB15.6 million or 5.3% as compared to previous year. Among which, well completion segment in China recorded revenue of RMB167.3 million, representing a decrease of RMB33.9 million or 16.8%, and accounted for 59.9% of the total revenue of well completion segment. Such decrease was mainly due to the difference in supply time of well completion business in Xinjiang and Sichuan-Chongqing region and the slow progress of fracturing technology affected by the Pandemic. In terms of overseas well completion segment, it recorded revenue of RMB111.9 million, representing an increase of RMB18.3 million or 19.5%, and accounted for 40.1% of the total revenue of well completion segment. Such growth was mainly attributable to the increase in well completion operations in Turkmenistan, Africa and the increase in fracturing operations in Kazakhstan.

MARKET ENVIRONMENT

During the Reporting Year, amid the continuation of the negative impacts of the Pandemic, the global economy and energy consumption demand showed a continued upward trend. Both Brent and WTI crude oil futures recorded their sharpest annual increases in recent years, with natural gas prices leading the way for commodities. OPEC+ actively controlled the pace of production increase, and the release of crude oil production capacity lags behind the recovery of demand, which led to a tight market supply. In 2021, the global investment in oil and gas exploration and development bottomed out, and the incremental oil and gas reserves declined slightly. It is expected that in 2022, the COVID-19 mutation may still trigger multiple rounds of epidemics around the world, and thus the world's economy faces uneven recovery, with growing global oil demand and the ongoing tight balance of supply and demand in the oil market.

Meanwhile, the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached more than 50 resolutions, including the Glasgow Climate Pact, which forged a consensus from all parties on promoting the green and low-carbon transformation. To date, more than 130 countries around the world have issued carbon peak and neutrality targets. The mainstream development of International oil giants was that they actively adjust and optimize their operating structure, accelerate the sale of oil and gas assets, and promote the integrated development of natural gas and renewable resources to speed up the transformation.

The recovery momentum of the global oil-field service industry falls behind the growth of oil price and exploration and development investment, demonstrating a slow and lagging recovery. The three major international oil-field service companies are upgrading their technologies in the traditional oil and gas field while accelerating the deployment of low-carbon technologies, aiming to transform from traditional oil and gas technology and equipment service companies to energy technology service companies to meet new market demands. It is expected that, as the global exploration and development investment keeps rising and the economy continues to recover, the oil-field service industry is expected to step into a promising recovery stage in 2022.

Management Discussion and Analysis

Overseas Markets

The Group's overseas markets mainly cover Central Asia such as Kazakhstan and Turkmenistan, Southeast Asia such as Indonesia and Singapore, North America such as Canada, Middle East and Africa. Since the production reduction agreement was reached by OPEC+ in April 2020 which stipulated the single largest output cut in history, global crude oil inventories have been gradually reduced from a high level since the third quarter of 2020. During the current period, OPEC+ increased output since August, yet it had difficulties to achieve the production target due to various factors, resulting in a tight supply of global crude oil. Meanwhile, the recurrence and spread of the Pandemic has affected oil-field service companies, including the uncertainties of mobilization and demobilization, prolonged construction period and reduced production efficiency. In 2021, Kazakhstan continued to implement the oil production reduction agreement under the OPEC+ framework but continued to increase production. Although the Pandemic and the political situation in Kazakhstan have brought certain impact on the Group's local project operations, our regional companies in Kazakhstan have overcome difficulties and exceeded the output target, which has laid a solid foundation for the fulfillment of the Group's performance goals. The Turkmenistan regional company successfully completed its emergency rescue mission at the Yolatun gas field, one of the largest gas fields in the country, which is helpful to market expansion in the region. To some extent, the Pandemic has an impact on reservoir dynamic monitoring, oil testing and workover business development in the Middle East. At present, the overall operation is in good status, and the Middle East region is also actively expanding other business lines and is expected to obtain additional contracts. In Indonesia, the Group made supplements to the well completion service contract and wireline operation service contract with customers despite the adverse impact of the Pandemic, ensuring the stability and continuity of its market position. In North America, the Group engaged in the production and sales of high-end electronic pressure for downhole monitoring and the accessories. In Africa, the Group established a regional office in June, and the Uganda Bonded Warehouse funded by us has commenced operation. We also expanded the market in South Sudan, Chad and Niger and started to implement service projects. The Ghana Alcohol Factory was completed and put into operation in the fourth quarter of 2021, with the supply of raw materials.

Management Discussion and Analysis

PRC Market

During the Reporting Year, underlying by the effective epidemic prevention and control policies, China's economy expanded up to 8.1%. The oil market gradually returned to normal as the pandemic eases in China, while crude oil production grows, and its dependence on foreign oil declined for the first time. The "Dual Carbon" goals and relevant policies on promoting energy transformation drives the rapid growth of natural gas consumption. 2021 is a crucial year for domestic oil companies to achieve the goals of the Seven-year Action Plan. All oil and gas producers have spared no effort in strengthening exploration and development, and realizing the growth in oil and gas production and reserves, so as to make contributions to ensuring national energy security and safeguarding economic development. The investment in oil and gas upstream rebounded. In particular, Sinopec and CNOOC maintained their investment growth, and China National Petroleum Corporation ("CNPC") optimised and adjusted its investment structure. The 14th Five-Year Plan is a key initial stage for the implementation of the carbon peak and carbon neutrality strategy, during which the progress of energy transformation will be accelerated. China's oil and gas industry will increase its development efforts, safeguard energy security, and accelerate low-carbon development, in an effort to realize transformation and upgrade, and secure the stability of energy advantage firmly. With the significant growth in the operating performance of the three major domestic oil companies, the recovery of oil and gas market, the rebound of international oil prices and the higher investment in exploration and development, it is envisaged that the oil-field service industry would walk out of the trough and recover.

During the Reporting Year, the oil and gas production of the Xinjiang Tarim Oilfield reached 31.82 million tons, hitting a record high. It further consolidated the strategic position of Tarim Oilfield as an important energy production base in China. Xinjiang has always been one of the key markets of the Group. The Xinjiang market has always been based on the CNPC Tarim Oilfield, Xinjiang Oilfield and Tuha Oilfield. During this period, the Group successfully entered the CNPC Northwest Oilfield market again and undertook well workover, well completion and oil reservoir businesses. Despite the rising oil prices and surging revenue and profit in 2021, customers still insisted on effective control of investment and implementation of refined management to promote cost reduction and efficiency improvement, and pushed the change of the development mode from investment-driven to technological innovation-driven. As a result, the price of engineering services was low and the market competition was fierce. The Group seized the opportunity to expand its business, while setting a clear focus through continuous technological innovation and addressing challenges to ensure the increase in workload. During the Reporting Year, the Company's well completion business in Xinjiang continued to maintain its leading position in the regional market. The innovative application of Pioneer Petrotech Services ("PPS") permanent monitoring system in the Tarim Oilfield was proved to be a success. It has completed highly difficult well workover projects by integrating rotary steering, micro reaming technology and magnetic ranging technology, which was highly recognized and praised by customers, laying a solid foundation for the subsequent promotion of relevant technologies. By utilizing self-developed instruments and self-built methods, the Group has successfully filled a gap in plugging parameters, and handled the fishing operation with world-class difficulty and complexity of a specific well in Keshen, demonstrating that its fishing technology has reached a new high. The relief well project was successfully implemented in cooperation with internationally renowned oil service companies. In terms of underbalanced operations, the Group continued to maintain its leading edge and completed approximately 30 well operations. The Group conducted temperature and pressure monitoring of high-pressure blocks and ultra-high temperature, ultra-high pressure, ultra-deep wells in Tarim and Southwestern Tarim for about 60 well times. The Group actively developed new technologies and implemented the viscosity-reduction throughput business in the Tuha Oilfield and Zhundong Oilfield.

Management Discussion and Analysis

During the Reporting Year, the Group maintained strong market share of the well completion business in the Sichuan and Chongqing markets, establishing a solid market presence. Among them, the successful secondary completion of a certain well created a number of records in well completion in Sichuan and Chongqing, such as ultra-high bottom pressure, ultra-high mud density, ultra-high fluid replacement control casing pressure, and ultra-high ball head oil pressure, demonstrating the Group's technical strength in well completion. The promotion of new technologies and new processes represented by re-fracturing in the fracturing stimulation project has brought about an increase in the operating profit of the Group. The secondary fracturing stimulation solution was applied in Fuling shale gas wells, producing obvious stimulation effect, and has been implemented for three well times. In respect of the treatment of casing damaged wells in the Changning shale gas block, the Group has completed the relevant technical preparation and technical proposal demonstration for pilot test wells, which will be implemented soon. In response to the needs of customers, the Group, through joint development with elite universities and colleges of petroleum in the application of new technologies, has successfully implemented chemical plugging operations for multiple wells.

The Group's unconventional oil and gas and other businesses continued to achieve breakthroughs with the application of new technologies and new processes. The Group won the bid for the workover package project of the salt-cavity gas storage of CNPC with its outstanding technical solutions and rich workover experience. Such project was successfully delivered during the period and new orders were signed up. The drilling and fracturing operation of the integrated project of drilling, fracturing and drainage of gas control for Zhujidong Coal Mine of Huainan Mining has been completed and the drainage operation is in progress. The Group also carried out multiple wells near-bit operations in the Shanxi Coal Bed Methane project. In response to China's dual-carbon targets, the Group carried out equipment maintenance, equipment repair, pipeline operation and maintenance in Xinjiang, and continuously explored the path of business transformation, and achieved initial results.

In recent years, the Group has actively explored the business cooperation in the field of offshore oil and gas exploration and development, and has achieved breakthroughs. During the Reporting Period, the Group successfully won the bid for the tight gas block drilling services project of China United Coalbed Methane Corp. Ltd. ("CUCBM"), marking the Group's further expansion into the land market of China National Offshore Oil Corporation Limited ("CNOOC"). The further consolidation of the downhole manometer business of Bohai oilfield marked the further improvement of the Group's strategic layout and market position in the CNOOC market. According to the operation strategy and development plan of CNOOC in 2022, it will implement the strategy of simultaneously developing oil and gas but leaning towards gas in China. Bohai oilfield, a subsidiary of CNOOC, has an annual output of over 30 million tons of crude oil, making it the largest crude oil production base in China. At the same time, CNOOC will carry out the exploration project of trillions tons in the large gas areas in the South China Sea, focusing on the implementation of Shenfu reserves and accelerating the exploration and development of onshore unconventional natural gas. The Group will closely follow its strategic deployment to carry out market expansion and strive to take root in the offshore oil and gas field.

Management Discussion and Analysis

To sum up, under the influence of the normalization of the COVID-19 pandemic, the recovery of the world economy and the warming up of the international oil and gas market in 2021, the Group is having its domestic and overseas markets developing well. The Group will continue to explore emerging markets while consolidating existing markets, and actively seeking the path towards green and low-carbon transformation.

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

It has been 2 years since the Group emphasized the "technology-driven" development strategy in early 2020. During the period, the Group has been constantly promoting the development and improvement of the Group's technological capabilities, cultivating a number of technological brands and forming a series of new technological solutions by various means such as independent R&D, technologies acquisition and integration of technology resources. Under the context of poor pricing of traditional oil-field service and declining profits among companies in the same industry, new technologies contributed to increasing portion of the Group's operating. It became the key strategy of the Group to stabilize growth and promote efficiency and played an irreplaceable role in achieving the Group's performance.

In terms of oil reservoirs, the Group integrated the production-enhancing oilfield chemical technology, and achieved impressive results in many domestic oilfields, which lighted up a prospect for the promotion of such technology. Among them, the non-oxidizing environmental protection blocking remover has been tested in Dagang Oilfield and CNOOC Bohai Field, and it had obvious effect on removing polymer blockage caused by polymer injection near the wellbore and restoring the seepage capacity of oil-fields. It is expected it will have broad prospects for wide-scale use in the future. The high temperature permanent pressure gauge has successfully entered the CNOOC market. It was put into operation in the Bohai Oilfield. The oil testing and production technology services achieved market breakthroughs in the Dongba carbonate reservoirs in Iraq, and the service level and construction quality were well recognized by customers.

In terms of drilling, the high-temperature rotary steering technology was successfully applied in a shale gas well in Sichuan. The bottom hole circulation temperature reached 155 ℃, solving the problems of insufficient high-temperature resistance of other rotary steering tools, the inability to use rotary steering tools to complete construction in all horizontal sections, slow drilling time, and high risks of falling into wells. The Group's regional company in Xinjiang was able to integrate rotary steering, micro reaming technology and magnetic ranging technology, which were applied to rescue well drilling operations, and accurately located the target well position multiple times during the construction process with the original wellbore eventually successfully connected. So far, the construction of all rescue wells has been completed. This was highly affirmed and praised by the customer, laying a solid foundation for the subsequent promotion of the relevant technology. In addition, in 2021, the Company has strengthened the research and development of high-temperature Measurement While Drilling ("MWD"), and the new generation of PPS high-temperature MWD will soon be launched, which will further enhance the high-temperature orientation technology capability of the Group.

Management Discussion and Analysis

In terms of well completion, the Group successfully completed the highly difficult secondary completion of a well in Sichuan-Chongqing region. The formation pressure in the middle of the pay zone of the well is 138.61 MPa, the mud density in the wellbore is 2.45g/cm^3, the H_2S content is 0.35%, and the CO_2 content is 11.859%. The well had ultra-high formation pressure and imposed extremely harsh requirements for completion packers. In addition, high-density well slurry significantly increased the difficulty of construction. The Company introduced a series of high-end completion technologies, such as high-temperature and high-pressure resistant THT packers and ultra-high-power electric pump technology, and successfully completed the secondary completion string operation. In addition, the Company integrated non-coupling small casing technology, solidified water technology, casing-in-casing solidification technology and secondary fracturing technology to form a secondary fracturing stimulation solution, which was applied in Fuling shale gas wells, with obvious stimulation effect. The Company has implemented a total of 3 well-times.

In terms of well workover, through continuous technology R&D, a good development situation has now been formed for workover fishing tools (one batch is put into use, one batch is reserved and one batch is being researched and developed). Through the development and putting into use of two series of new tools, the Group further takes the lead in the technical service of slim hole complex fishing in the Tarim Oilfield and the Southwest Oil and Gas Field. In the Shunbei region of North-West Bureau, drilling rigs have been used for open-hole dredging of ultra-long horizontal wells. The largest deep well is 8,225m, the length of the open-hole section is 926m, and the borehole is 120mm. The efficiency of processing similar wells has been constantly improved through the development and application of new technologies such as open-hole dredging bits and high-pressure rotary jet bits. In the case of casing damaged wells in Changning shale gas block in Sichuan-Chongqing region, the Group has completed the relevant technical preparation and technical proposal demonstration for pilot test wells, which is expected to be implemented in the first quarter of 2022.

In terms of fracturing, the Group introduced and improved the fracture-controlled volumetric fracturing technology, which was successfully applied in the Changning shale gas block in Sichuan. The fracturing of two wells was completed, which effectively improved the production level and acquisition rate of a single well, and increased the production rate of a single well by over 20%.

In addition to the above, a large number of new technology applications such as nano-oilfield stimulation chemicals, optical fiber detection technology, chemical plugging technology, re-fracturing technology, Pressure Volume Temperature ("PVT") sampler are gradually bringing profit growth to the Group. In addition, the future applications and market prospects of cutting-edge technologies underdevelopment such as carbon capture and utilization, downhole 3D scanning, high-efficiency Polycrystalline Diamond Compact ("PDC") bits, ultrasonic fracturing monitoring, and nano-oilfield chemicals are promising.

Management Discussion and Analysis

HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2021, the Group has achieved remarkable results in upgrading its human resources strategic management system. The major details of the human resources work in 2021 are as follows:

1. Due to the severe Pandemic outbreak across the globe, the Group effectively implemented a series of measures such as optimisation of labour costs, pandemic prevention and control, which have been achieved great results.

2. Driven by the external economic and market environment, the Group continued to focus on performance and technological innovation, with a view to upgrading and improving performance management system which has had great positive incentive function.

3. During the Pandemic, leveraging its advantages established in online learning platform, the Group commenced a comprehensive online talent training programme and established a three-tier talent training system to increase the core strengths of key personnel; in 2021, attendance in the training through the online platform reached 20,352 and the training covered all business regions and project departments domestically and abroad with 171,446 training hours cumulatively.

4. The establishment and operation of the business system for human resources and informatization system of the Group have been carried out effectively.

5. In respect of manpower deployment of this year, the Group needs to continuously optimize its personnel structure to meet its operational needs and reserve manpower for additional programmes at the same time.

As of 31 December 2021, the Group had a total of 4,504 employees, an increase of 565 employees from 3,939 employees as at 31 December 2020. The actual labour costs of the Group for 2021 were controlled within the budget amount set at the beginning of this year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, revenue of the Group was RMB1,588.8 million, representing a year-on-year increase of RMB299.5 million, or 23.2%, as compared with that of RMB1,289.3 million for the previous year. The increase was mainly due to the expansion of operating activities of the Group.

Management Discussion and Analysis

Other (losses)/gains, net

For the year ended 31 December 2021, other gains, net of the Group were RMB4.9 million, as compared with other gains, net of RMB25.6 million for the previous year. The change was mainly due to the fluctuations in foreign exchange rates.

Material costs

For the year ended 31 December 2021, material costs of the Group were RMB354.9 million, representing a year-on-year increase of RMB77.1 million, or 27.8%, as compared with that of RMB277.8 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 2021, employee benefit expenses of the Group were RMB537 million, representing a year-on-year increase of RMB60.1 million, or 12.6%, as compared with that of RMB476.9 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 2021, short-term and low-value lease expenses of the Group were RMB94.1 million, representing a year-on-year increase of RMB19.6 million, or 26.3%, from RMB74.5 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 2021, transportation costs of the Group were RMB42.5 million, representing a year-on-year increase of RMB10.2 million, or 31.6%, as compared with that of RMB32.3 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 2021, depreciation and amortisation of the Group was RMB75.2 million, representing a year-on-year decrease of RMB0.6 million, or 0.8%, as compared with that of RMB75.8 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 2021, technical service expenses of the Group were RMB226.7 million, representing a year-on-year decrease of RMB0.7 million, or 0.3%, as compared with that of RMB227.4 million for the previous year.

Management Discussion and Analysis

Impairment losses of assets

For the year ended 31 December 2021, impairment losses of assets of the Group were RMB20.4 million, while the impairment losses of assets of the Group were RMB51.8 million for the previous year , representing a year-on-year decrease of RMB31.4 million or 60.6%. The decrease in impairment losses of assets was mainly due to improvement in collection of accounts receivables and the slowdown of impairment of inventories as a result of the improvement in business operation.

Others

For the year ended 31 December 2021, other operating costs of the Group were RMB189.5 million, representing a year-on-year increase of RMB26.8 million or 16.5%, as compared with that of RMB162.7 million for the previous year. The increase was mainly due to the expansion of the operating activities of the Group.

Operating loss/(profit)

Based on the above reasons, operating profit of the Group during the Reporting Year was RMB53.4 million, compared with the operating loss of RMB64.4 million for the previous year.

Finance costs, net

For the year ended 31 December 2021, finance costs, net of the Group were RMB42 million, representing a year-on-year increase of RMB5.4 million, or 14.8%, as compared with that of RMB36.6 million for the previous year. The increase was mainly due to the increase in interest expenses as a result of the increased financing efforts by the Group.

Investment income from associates under the equity method

For the year ended 31 December 2021, investment income from associates under the equity method of the Group was RMB0.5 million.

Income tax credit/(expense)

For the year ended 31 December 2021, income tax expense was RMB7.7 million, compared with the income tax credit of RMB2.4 million for the previous year. The turn around was mainly due to profit generated by the Group during the year.

Loss/(profit) for the year

As a result of the explanations above, profit of the Group for the Reporting Year was RMB4.2 million, while loss for the previous year was RMB98.4 million.

Management Discussion and Analysis

Loss/(profit) attributable to equity holders of the Company

For the year ended 31 December 2021, profit attributable to equity holders of the Company was RMB8.8 million, while loss attributable to equity holders of the Company for the previous year was RMB91.2 million.

Property, plant and equipment

As at 31 December 2021, the net book value of property, plant and equipment was RMB402.5 million, representing a decrease of RMB9.8 million, or 2.4%, from RMB412.3 million as at 31 December 2020. The decrease was mainly due to depreciation charge which was in excess of addition for the year.

Right-of-use assets

As at 31 December 2021, the carrying value of right-of-use assets amounted to RMB90.7 million, representing a decrease of RMB6.3 million, or 6.5%, from RMB97.0 million as at 31 December 2020. The decrease was mainly due to the amortisation of the right-of-use assets.

Intangible assets

As at 31 December 2021, intangible assets were RMB17.4 million, representing an increase of RMB14.1 million, or 427.3%, as compared with that of RMB3.3 million for the previous year. The increase was mainly due to the addition of a franchise right during the Reporting Year.

Deferred income tax assets

As at 31 December 2021, deferred income tax assets were RMB116.7 million, representing a decrease of RMB1 million, or 0.8%, from RMB117.7 million as at 31 December 2020.

Prepayments and other receivables

As at 31 December 2021, non-current portion of prepayments and other receivables was RMB5.3 million, representing a decrease of RMB23.7 million, or 81.7%, from RMB29.0 million as at 31 December 2020. The decrease was mainly due to the recognition of the equipment purchased by the Group. Current portion of prepayments and other receivables was RMB214.0 million, representing an increase of RMB30.1 million, or 16.4%, from RMB183.9 million as at 31 December 2020. The increase was mainly due to the prepayment for tax by the Group and the increase in advance to suppliers due to expansions of operating activities.

Inventories

As at 31 December 2021, inventories were RMB507.3 million, representing an increase of RMB70.9 million, or 16.2%, from RMB436.4 million as at 31 December 2020. The increase was mainly due to the expansion of the operating activities of the Group.

Management Discussion and Analysis

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

As at 31 December 2021, contract assets, trade and note receivables were RMB1,029.3 million, representing a decrease of RMB26.8 million, or 2.5%, from RMB1,056.1 million as at 31 December 2020. The decrease was mainly due to more timely collection during the Reporting Year. As at 31 December 2021, contract liabilities, trade and note payables amounted to RMB718.1 million, representing an increase of RMB13.4 million, or 1.9%, from RMB704.7 million as at 31 December 2020. The increase was mainly due to the increase in the business of the Group.

Liquidity and capital resources

As at 31 December 2021, cash and bank deposits of the Group, comprising cash and cash equivalents and restricted bank deposits, were RMB388.8 million, representing an increase of RMB39.8 million, or 11.4%, from RMB349.0 million as at 31 December 2020. The increase was mainly due to the expansion of the operating and financing activities of the Group.

As at 31 December 2021, short-term borrowings and current portion of long-term borrowings of the Group were RMB352.8 million while the long-term borrowings were RMB225.1 million. As at 31 December 2020, short-term borrowings and current portion of long-term borrowings of the Group were RMB258.3 million while the long-term borrowings were RMB233.1 million. As at 31 December 2021, 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 2021, current lease liabilities of the Group amounted to RMB28.2 million and non-current lease liabilities amounted to RMB35.8 million. As at 31 December 2020, current lease liabilities of the Group amounted to RMB18.2 million and non-current lease liabilities amounted to RMB46.7 million.

As at 31 December 2021, gearing ratio of the Group was 53.2%, representing an increase of 8% as compared with 45.2% as at 31 December 2020. 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 2021, the total number of ordinary shares of the Company in issue was 1,853,775,999.0 shares (31 December 2020: 1,853,775,999 shares). As at 31 December 2021, equity attributable to the equity holders of the Company was RMB1,193.5 million, representing a decrease of RMB19.5 million, or 1.6%, as compared with RMB1,213.0 million as at 31 December 2020.

Significant investment held

As at 31 December 2021, the Group did not hold any significant investment.

Management Discussion and Analysis

Acquisitions and disposals of subsidiaries and associates

During the Reporting Year, Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd. (as buyer), a subsidiary of the Group, entered into a purchase and sales agreement with Kashgar Juli Engineering Technology Service Co., Ltd.(as vendor) to acquire 100% equity interest in Hotan Juli Gas Engineering Co., Ltd. (和田聚力燃氣工程有限公司, "Hotan Juli") at a cash consideration of RMB4,080,000. Pursuant to the agreement, the acquisition of Hotan Juli was completed in October 2021 and became a subsidiary of the Group, and its financial results will be consolidated into the financial statements of the Group accordingly.

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

Assets pledged to secure bank borrowings

As at 31 December 2021, 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 the borrowings with assets pledged are as follows:

	As at 31 December 2021 *RMB' 000*	As at 31 December 2020 *RMB' 000*
Right-of-use assets	**3,873**	4,757
Trade and note receivables	**461,500**	384,000

Assets pledged to secure the loans from a third party institution

Loans from a third party financial institution of the Group are expiring from 2021 to 2023 and are secured by certain machinery with a carrying amount of RMB93,051,000 (2020: RMB110,257,000), 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 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 are required to be denominated in KZT.

On Average, the exchange rate of KZT and USD against RMB decreased by 4.8% and 2.3%, respectively in 2021 as compared with last year, but such movement did not have a significant impact on the overall business of the Group. However, as a result of the aforesaid devaluation, the Group reflected a translation loss of RMB25.5 million in other comprehensive income.

Management Discussion and Analysis

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 31 December 2021, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 31 December 2021, the Group had capital expenditure commitments of RMB25.2 million, while operating leases commitments were mainly lease of offices, warehouses and equipment under non-cancellable operating lease agreements in short term and amounted to RMB42.6 million.

SUBSEQUENT EVENT

Exercise of call options for the acquisition of preference shares

On 21 January 2022, pursuant to the exclusive call option agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by preference shareholders of Enecal PTE Limited, a subsidiary of SPT HK and the Company, as disclosed in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK had acquired a total of 350,000 preference shares of Enecal PTE Limited from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of SGD3,200,000 (the "Transactions"). As at the date on which those financial statements were authorised for issue, the Transactions have been completed with consideration yet to be paid. Please refer to the announcement of the Company dated 21 January 2022 for further details.

Save as above, there are no significant subsequent events of the Group after 31 December 2021.

DISCLOSEABLE TRANSACTIONS

Finance lease arrangements

During the period from 30 August 2018 to 27 August 2021, the Lessees, namely Shaanxi Huayou, Petrotech (Xinjiang), Sinopetroleum Technology and Xinjiang SPT, all being subsidiaries of the Company, entered into the Finance Lease Arrangement I to IX with the Lessor, namely Zhongguancun Science-Tech, together with its ultimate beneficial owner all being independent third parties. Each of the Lessee I, the Lessee II, the Lessee III and the Lessee IV is an indirect subsidiary of the Company. As one or more of the applicable percentage ratios in respect of each of the Finance Lease Arrangement VIII and Finance Lease Arrangement IX exceed 5% but are less than 25%, the abovementioned transactions contemplated thereunder each constituted a discloseable transaction of the Company and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. According to Rule 14.22 of the Listing Rules, the Finance Lease Arrangements during any 12-month period shall be aggregated as a series of transactions.

Management Discussion and Analysis

As one or more of the applicable percentage ratios in respect of each of (1) the Finance Lease Arrangements I to III, entered into during the period from 30 August 2018 to 7 December 2018; (2) the Finance Lease Arrangements I to IV, entered into during the period from 30 August 2018 to 21 June 2019; (3) the Finance Lease Arrangements IV and V, entered into during the period from 21 June 2019 to 14 February 2020; (4) the Finance Lease Arrangements IV to VI, entered into during the period from 21 June 2019 to 19 March 2020; (5) the Finance Lease Arrangements IV to VII, entered into during the period from 21 June 2019 to 4 June 2020; (6) the Finance Lease Arrangements V to VIII, entered into during the period from 14 February 2020 to 15 January 2021; and (7) the Finance Lease Arrangements VIII to IX, entered into during the period from 15 January 2021 to 27 August 2021, when aggregated, exceed 5% but are less than 25%, the abovementioned transactions contemplated thereunder each constituted a discloseable transaction of the Company and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Unless otherwise specified, terms used in this section shall have the same meanings as those defined in the announcement of the Company dated 10 September 2021. For more details, please refer to the announcement of the Company dated 10 September 2021.

Entering into the construction contract

On 15 October 2021 (after market close), Uganda Branch, a wholly-owned subsidiary of the Company, entered into the Construction Contract with Henghua Development, together with its ultimate beneficial owner all being independent third parties, pursuant to which Henghua Development will provide certain construction services on the Land to Uganda Branch at a consideration of US$5,400,311.64 (equivalent to approximately HK$42,122,431). As at least an applicable percentage ratio as set out under Rule 14.07 of Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements.

Unless otherwise specified, terms used in this section shall have the same meanings as those defined in the announcement of the Company dated 18 October 2021. For more details, please refer to the announcement of the Company dated 18 October 2021.

Management Discussion and Analysis

OUR PLANS

The normalization of the pandemic and the global consensus on carbon neutrality will result in profound changes in the energy industry, energy technology and energy competition landscape. In order to adapt to new trends, face new opportunities and cope with new challenges, the Group will continue to focus its efforts on the following areas in 2022:

1. The Group will seize the strategic opportunity period of the gradual recovery of the global oil market, the continuous advancement of energy transformation and the national call for stabilization in energy and security in supply. Customers' demand for promoting the development of high-end, intelligent and low-carbon industry chain will be satisfied by expanding overseas markets, exploring emerging markets and laying out strategic markets, based on the development of domestic market. While cultivating the traditional business, the Group will promote the strategic transformation of the Group's business and expand into new areas with its own advantages as a breakthrough to ensure that the Group will be able to grab market share in the fierce industry competition and vigorously increase the profitability of its operation.

2. The Group will continue to adhere to the long-term strategy of technology leading the development of enterprises and innovation driving the future by solving customers' increasing service requirements with technology and empowering sustainable development with technological innovation. The Group will attach great importance to individual technology innovation and place a high value on improving the 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.

3. The Group will continue to improve the management level, the business layout, and the ability to resist risks. The Group will also continue to actively implement refined management, promote project management, integrate resources to increase revenue and efficiency while reducing expenditure and costs, thereby improving profitability. By strengthening the coordination of production organization, the Group carried out the practice of management and business model innovation to maintain market competitiveness. Through the establishment of a comprehensive risk management and control mechanism and a cost management and control system, the Group will ensure the safety level of cash flow, enhance the flexibility of operation and the ability to resist risks.

4. The Group will continue to build a high-level technical talent and market talent echelon, and pay attention to the development and growth of employees. Relying on major technology projects, the Group will accelerate the cultivation of innovative teams and leading talents, continue to recommend outstanding technical innovation talents as project leaders to stimulate the innovation vitality of technical personnel, and create a fair and open platform to stimulate employees' enthusiasm for work, and to display their abilities and to realize value.

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

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Wang Guoqiang (王國強), aged 59, is an executive Director and chairman of the Board. He had been the chief executive officer of the Company during the period from 1 December 2011 to 31 August 2016 and 1 September 2017 to 10 May 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Wang has over 37 years of experience in the petroleum industry. Mr. Wang has been a Director of the Company since June 2008. He served as an engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of China National Petroleum Corporation ("CNPC"), from July 1984 to August 1993. Mr. Wang obtained a diploma in field machinery from North China Petroleum Vocational College (華北石油職工大學) (currently known as Beijing Institute of Economics and Management (北京經濟管理職業學院) in July 1984 and a master's degree in business administration from The National University of Singapore in April 2007.

Ethan Wu (吳東方), (with former name Wu Dongfang), aged 50, is an executive Director of the Company. He has been appointed as the chief executive officer since 11 May 2018, responsible for the overall operation and management of the Group. Mr. Wu has over 30 years of experience in the petroleum industry. Mr. Wu has been a Director of the Company since June 2008. Mr. Wu served as an assistant engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of CNPC, from March 1991 to November 1993. Mr. Wu obtained a bachelor's degree in electronic instrument and measuring technology from Xi'an Shiyou University in July 1991 and an executive master's degree in business administration from Tsinghua University in February 2006.

Li Qiang (李強), aged 46, is an executive Director and chief financial officer of the Company. He is primarily responsible for internal monitoring affairs of the Group including planning and operations, capital operation and information disclosure. Mr. Li has more than 24 years of experience in corporate management. Mr. Li has been an executive Director of the Company since 21 March 2017. Prior to joining the Group, he served as the senior project manager of Beijing Bowei Management Consultancy Co., Ltd. (北京博維管理顧問有限公司) specialising in corporate strategies, procedure restructuring, human resources management and other consultation tasks. From August 1998 to June 2004, he worked at Beijing Huaer Company Limited (北京化二股份有限公司) as sales and marketing manager and assistant to plant general manager, etc. Mr. Li obtained a bachelor's degree in corporate management from Beijing Wuzi University (北京物資學院) in 1998 and a master's degree in business administration from Peking University in 2005.

Directors' and Senior Management's Biographies

NON-EXECUTIVE DIRECTORS

Wu Jiwei (武吉偉), aged 50, has been an executive Director of the Company since 26 March 2019, and was re-designated as a non-executive Director since 8 December 2020. Since October 2021, He has been a deputy president and chief finance officer of Baoshihua Home Investment Management Company Limited* (寶石花家園投資管理有限公司). He served as the senior vice president of the Company to assist the chief executive officer of the Company to expand the strategic blueprint and explore new markets and new businesses from 25 September 2018 to 8 December 2020. Prior to joining the Group, Mr. Wu was the chairman of Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock codes: 000413 and 200413) from April 2018 to August 2018. He was the chairman of the supervisory committee of China National Building Material Company Limited (中國建材股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 03323), from May 2016 to December 2017. He was the chief accountant of China National Building Material Group Co., Ltd. (中國建材集團有限公司) (formerly known as China National Building Material Group Corporation) from March 2011 to May 2017, and the standing committee member of the party committee of such company from August 2016 to May 2017. He was the director of financial management centre of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from October 2008 to March 2011. Mr. Wu has served as the vice chairman of Enterprise Financial Management Association of China since 8 August 2020. Mr. Wu served the positions of general manager assistant and financial manager of China Petroleum International Engineering Ltd. (中油國際工程有限責任公司), chief accountant of China National Logging Corporation (中油測井技術服務有限責任公司) and deputy chief accountant of Engineering Technology Branch Company of China National Petroleum Corporation (中國石油天然氣集團公司), etc. Mr. Wu obtained a bachelor's degree in foreign enterprise accounting from Xi'an Shiyou University and received a master's degree in management from Central University of Finance and Economics. He is a senior accountant.

Directors' and Senior Management's Biographies

Chen Chunhua (陳春花), aged 58, was appointed as an independent non-executive Director of the Company on 1 December 2011 and was re-designated as a non-executive Director on 27 March 2013. She is also a member of the Audit Committee of the Company. Ms. Chen has more than 30 years of experience in academic education and practice in corporate operations and business management. Since September 2016, she has been a professor of the National School of Development at Peking University. She has been an independent non-executive Director of Bank of China Limited (中國銀行股份有限公司) since 20 July 2020. She served South China University of Technology from July 1986 to January 2019 and held the positions of professor and tutor of doctoral students in the Business Administration School. She once served as the joint chairperson and chief executive officer of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000876) from May 2013 to May 2016 responsible for overall operation and development. From 27 December 2013 to 25 August 2020, she served as a non-executive Director of Vtron Group Co., Ltd. (威創集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002308). Ms. Chen obtained a bachelor's degree of engineering in radio technology from South China Institute of Technology in June 1986 and became a post-doctoral candidate in the Business Administration School of Nanjing University in December 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wu Kwok Keung Andrew (胡國強), aged 68, was appointed as an independent non-executive Director of the Company on 1 December 2011. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wu is also a board member and the Chairman of the Finance Committee of HKU School of Professional and Continuing Education. He was an independent non-executive director of China Mengniu Dairy Company Limited, a company listed on the Stock Exchange (stock code: 2319), from April 2013 to October 2016. Mr. Wu had served Ernst & Young (the "firm") for over 32 years before retirement in January 2010. He served as the regional managing partner of the firm, Hong Kong and Macau region from July 2008 to December 2009, and served as the managing partner of Assurance and Advisory Business Services ("AABS") for Greater China at the firm from 2005 to 2008, and managing partner of AABS for Far East in 2006 to 2007. Mr. Wu obtained a bachelor's degree in science from The University of Hong Kong in 1974. He is a member of the Hong Kong Institute of Certified Public Accountants.

Zhang Yujuan (張渝涓), aged 48, was appointed as an independent non-executive Director of the Company on 27 March 2013. She is also the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. She has served as the vice chairperson of Beijing Zhiyuan Weiku Culture Development Co., Ltd. (北京智元微庫文化發展有限公司) since January 2018. From January 2016 to December 2017, she was the general manager of Nanjing Pincheng Four Seasons Cultural and Creative Company (南京品成四季文化創意公司). From September 2011 to December 2015, she served as the general manager of Chengdu Tianxinyang Gold Industry Co., Ltd. (成都市天鑫洋金業有限責任公司) and the director of Hong Kong Tianxinyang Co., Ltd. (香港天鑫洋股份有限公司). From 1999 to 2010, she served as the deputy general manager of Beijing Information Co., Ltd. (北京圖文資訊有限公司) and the general manager of the Economic Management Publishing Division. From 1997 to 1999, she worked in the Chinese Cereals and Oils Association. Ms. Zhang obtained a bachelor's degree in economics from the School of Economics of Wuhan University in 1997 and a master's degree in business administration from the Chinese University of Hong Kong in 2009. She obtained a master's degree in business administration from the National University of Singapore in 2015.

Directors' and Senior Management's Biographies

Wan Kah Ming (溫嘉明), aged 51, was appointed as an independent non-executive Director of the Company on 1 December 2011. He is also a member of Audit Committee of the Company. He is currently the vice chairman of China Council for the Promotion of Nationalities Trade, Hong Kong Branch (中國民族貿易促進會香港分會), a standing director and an honorary legal advisor of Hong Kong Association of China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會香港總會), the founding director of the China Industrial Overseas Development Association (中國產業海外發展協會), the executive director of China Mergers & Acquisitions Association (中國併購公會), the vice chairman of its Hong Kong Branch and a member of the Chinese Association of Hong Kong and Macau Studies (全國港澳研究會). Mr. Wan has over 27 years of experience in legal practice focusing on China inbound and outbound investment, finance, mergers, acquisitions and restructuring. Since 1 February 2017, he has been a member of the Torture Claims Appeal Board. He has been the executive chairman of Boen Capital Ltd. (邦溫資本有限公司) since May 2006, respectively. He has been the principal solicitor of Leung & Wan Solicitors (梁溫律師事務所) since October 2001. Mr. Wan was an independent non-executive director and a member of the Audit Committee of Lerthai Group Limited (a company listed on the Stock Exchange, stock code: 00112) from December 2018 to December 2019. He served as a consultant of Chan & Chiu Solicitors (陳彼得趙國榮律師行) from January 1998 to September 2001 and an assistant solicitor of S.H. Chan & Co. (陳淑雄律師行) from June 1994 to December 1997. Mr. Wan received his bachelor of law (hons) and postgraduate certificate in laws (PCLL) from The University of Hong Kong in 1993 and 1994, respectively. He was admitted as a solicitor by the High Court of Hong Kong in 1996 and the Supreme Court of England and Wales in 2001. He is also currently a member of The Law Society of Hong Kong (香港律師會) and the Chartered Institute of Arbitrators (英國特許仲裁會) and a appointed attesting officer by the Ministry of Justice, PRC.

SENIOR MANAGEMENT

Liu Dongqin (劉東勤), aged 52, has been the vice president of the Group since 15 January 2020, mainly in charge of the Group's marketing and operation department, Xinjiang Regional Company and the Directional Well Center. Mr. Liu joined the Group in May 2004 and held the positions of project manager, manager of driving technology department, drilling technology director, drilling cluster director, deputy general manager and general manager of Xinjiang Regional Company. Mr. Liu has approximately 30 years of experience in the petroleum industry. He served as the director of the Drilling Technology Institute (鑽井工藝室), PetroChina North China Oilfield and the director of the Drilling Institute (中石油華北油田鑽井工藝研究院). Mr. Liu graduated from China University of Petroleum (East China) in 1993 with a bachelor's degree in drilling profession. He obtained the qualification of senior engineer in 2004 and received 5 first-class awards at the bureau level, 2 second-class awards at the provincial and ministerial level, as well as several utility patents and invention patents.

Ma Qianli (馬千里), aged 41, has been the vice president of the Group since June 2018, in charge of the Group's management system, human resources, brand management and the president office work. Ms. Ma joined the Group in 2004 and participated in building the global human resources system throughout the entire process and held the positions of human resources manager of the headquarters, human resources manager of the Russian-speaking region, human resources manager of the English-speaking region, global human resources senior manager, etc. Ms. Ma has taken charge of the Group's international strategic cooperation, branding and strategic investment since 2011 and served as strategic market manager, corporate development manager, etc. Ms. Ma obtained a master's degree in international business administration from National School of Development at Peking University, a master's degree in business administration from the international school of business from Vlerick in Belgium and a bachelor's degree in engineering from Beijing Information Science and Technology University.

Directors' and Senior Management's Biographies

Luo Hong (羅洪), aged 59, has been the vice president of the Group since November 2019, fully in charge of the technology management of the Group. Mr. Luo has more than 30 years of experience in the petroleum industry domestically and abroad. He served as the engineer and deputy chief of the Quality Management Division of Sinopec Anshan Refinery (中石化鞍山煉油廠), and successively held the positions of chief engineer, sales manager and country manager of Halliburton Drilling Fluid China (and North Asia) Region (哈里伯頓鑽井液中國(及北亞)區). He also worked at Halliburton (International) (哈里伯頓(國際)) and was engaged in operational management and project management in Asia Pacific and Russia. Mr. Luo obtained a bachelor of science degree in chemistry from Sun Yat-Sen University (中山大學) in 1984, a master's degree in engineering (organic chemicals) from Sinopec Research Institute of Petroleum Engineering (石油化工科學研究院) in 1991 and a master's degree in business administration from University of International Business and Economics (對外經濟貿易大學) in 2001.

Zhao Feng (趙峰), aged 56, is the vice president and general manager of North America Region of the Group. He is primarily responsible for business development and management of the Group in North America and Singapore. Mr. Zhao has more than 30 years of experience in the petroleum industry. Mr. Zhao joined the Group in January 1999. He served as a reservoir engineer in Shell Canada Ltd. from May to August 1998. He served as a reservoir research engineer in the Langfang Branch of Research Institute of Petroleum Exploration and Development of CNPC (中石油集團石油勘探開發研究院廊坊分院) from August 1986 to October 1995. Mr.Zhao obtained a bachelor's degree in petroleum engineering from Southwest Petroleum Institute (西南石油學院) in China in July 1986 and obtained a master's degree in chemical and petroleum engineering from The University of Calgary, Canada in November 2002. He also obtained a master's degree in business administration from the Fuqua School of Business of Duke University in the United States in December 2009.

Gao Wenhai (高文海), aged 54, has been the vice president of the Group since May 2018, currently in charge of the business in the Middle East and Africa. Mr. Gao has more than 20 years of experience in the petroleum industry and accumulated extensive working experience in China and overseas regions including South America, Middle East, Southeast Asia and Central Asia. Mr. Gao joined the Group in September 2006 and successively held the positions of director of well completion business line, regional manager of Southeast Asia, general manager of manufacturing centre, etc. Mr. Gao obtained a bachelor's degree in materials science and engineering and a master's degree in business administration from Beihang University (北京航空航天大學).

Xu Anping (徐安平), aged 63, has been the vice president of the Group since April 2019, mainly in charge of the operation management and new market expansion of the companies of the Group in Central Asia. Mr. Xu has over 30 years of experience in the petroleum industry. From September 1980 to September 1997, Mr. Xu worked at the Research Institute of Exploration and Development of Xinjiang Oilfield Company (新疆油田勘探開發研究院) as director of the Oilfield Dynamics Research Office (油田動態研究室) and director of the Development and Planning Research Office (開發規劃室研究室). He served as the development and production manager and deputy general manager of CNPC International (Aketobin) Company (中油國際(阿克糾賓)公司) from October 1997 to January 2009; the deputy chief engineer of CNPC International (Kazakhstan) Company (中油國際(哈薩克斯坦)公司) from February 2009 to January 2017; and the deputy chief engineer of CNPC International (Central Asia) (中油國際中亞公司) Company and the deputy general manager of CNPC International (Aketobin) Company from February 2017 to January 2019.

Directors' and Senior Management's Biographies

Chen Jian (陳劍), aged 46, has been the director of investor relations of the Group, mainly in charge of investor relations, capital operation, information disclosure, financing and work related to the Board and general meeting. Ms. Chen joined the Group in 2009 and held the positions of finance manager, deputy financial controller and investment and finance director, during which she was in charge of the financial regulation, financial system building, financial information disclosure and financing in the initial public offering of the Group. She has over 20 years of experience in finance management and finance related work. Prior to joining the Group, she worked at Cummins Engine (Beijing) Co., Ltd. (康明斯發動機(北京)有限公司) and Cummins (China) Investment Co., Ltd. (康明斯發動機(中國)投資公司), mainly in charge of finance management and financing related work. Ms. Chen obtained a bachelor's degree in accounting from Tianjin University of Finance and Economics (天津財經大學) and a master's degree in finance from Renmin University of China (中國人民大學). She is granted the qualification of international accountant.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group's operations are substantially conducted through its subsidiaries in the PRC, Kazakhstan, Turkmenistan, Singapore, Canada and Indonesia. The Group is principally engaged in the provision of integrated oilfield services and the manufacturing and sale of oilfield services related products. Analysis of the principal activities of the Group during the year ended 31 December 2021 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, an analysis of the Group's performance during the year using financial key performance indicators and a description of the Group's relationship with employees are provided in the Management Discussion and Analysis on pages 11 to 29 of this annual report. No important events affecting the Group have occurred since the end of the financial year ended 31 December 2021. In addition, discussions on the Group's environmental policies, description of possible risks and uncertainties that the Group may be facing, relationships with its key clients and suppliers and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

ENVIRONMENTAL POLICY AND PERFORMANCE

1. Environmental protection objective

Adhering to the mission of "Respect for Nature and Care for Environment", the Group curbed incidents of environmental pollution and ecological destruction in 2021, achieving the target of "zero" environmental incidents.

2. Fulfilling the responsibilities of environmental protection

Through entering into the Letter of Responsibilities for Environmental Assessment in 2021, the Group has explicitly defined the environmental assessment indicators, strengthened the control of the key environmental factors in its production and operating activities, and stipulated that the manager shall conduct onsite inspections on regular basis, whereby environmental protection responsibilities were effectively fulfilled.

3. Environmental management system

The Group actively promotes the development of the environmental management system. Sinopetroleum Technology Inc., Pioneer Sinopetroleum Equipment Inc., Petrotech (Xinjiang) Engineering Co., Ltd (all being domestic subsidiaries), CNEC LLP and ENECAL PTE LTD (both being overseas subsidiaries) have passed the ISO14000 environmental management system certification.

Report of the Directors

4. Application of environmental technology

The Group continues to expand the application of environmental technology, and reduces energy use, greenhouse gas emissions and damage to land resources through measures such as remodelling the equipment to replace oil with electricity (for drilling), mud not-fall-to-the-ground treatment, and improvement of efficiency of electromagnetic heaters.

5. Green operational requirements of clients and respective regions

Adhering to the sustainability philosophy, the Group integrates the green strategy into various segments of production and operation to minimize the impact on the environment from its production and operation activities to achieve green production, so as to meet the onsite environmental protection requirements of its customers and local governments.

MARKET RISKS AND UNCERTAINTIES

The uncertainties associated with the fluctuations of international oil price constitute the fundamental risk of the Group. The Group's businesses in its various markets rely on the oil producers' continuing spending and investments. In 2021, international oil prices rose amidst the volatility and declined at the end of the year. In the future, the mutated COVID-19 virus will spread worldwide, increasing the uncertainty of prevention and control. The world economy continues to recover unevenly, and downside risks cannot be ignored. Oil supply and demand remain in a tight balance with greater uncertainty, and extreme weather, geopolitics or black swan events may trigger significant volatility in the international oil market. In addition, the global energy transition is accelerating towards green and low-carbon energy, and the proportion of investment in upstream exploration and development of oil and gas in the traditional energy sector is gradually decreasing, which will have a negative impact on the oilfield service industry, and may bring certain negative effects to the Group's domestic and overseas business.

In addition, uncertainties exist in some new business development and new market expansion. The Group actively expands into new businesses and new markets to seek more profit growth points. The future growth prospects of these businesses should be further observed.

Report of the Directors

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

In the domestic market, due to the characteristic of oil and gas market in the PRC, the Group mainly provides services to CNPC and its affiliates. In overseas market, the Group targets the Sino-foreign oilfield joint ventures as major customers, as supplemented by the business from international oil companies and local national oil companies. The Group has been taking various measures to diversify its customers and to solve the problem of customer concentration. The Group is able to negotiate on price and other terms with these customers on a fair basis. For the years ended 31 December 2020 and 2021, revenue generated from CNPC and its affiliates accounted for 77.9% and 72.3% of total revenue, respectively.

The Group entered into strategic alliances with several international and domestic oil-field services providers, including Halliburton Company, one of the largest diversified oil-field services companies in the world. Such strategic alliances grant the Group accesses to various high-quality products and high-end technologies which help the Group with business development. Apart from these strategic alliances, the Group purchases materials, equipment and outsourced services from a group of individually small suppliers. All purchases and outsources from the suppliers are conducted case by case on a fair basis.

COMPLIANCE WITH LAWS AND REGULATIONS

Having operations and subsidiaries in different countries and areas, the Group is subject to various requirements of laws and regulations in various jurisdictions where it operates and where the subsidiaries are incorporated, including the PRC, Kazakhstan, Turkmenistan, Iraq, Canada, Singapore, Indonesia and other countries and areas. By examining the nature and extent of legal effects, the Group are mainly subject to two main types of laws and regulations: laws of the relevant jurisdiction and industry-specific regulations. The former generally contains incorporation and operation related laws and regulations such as incorporation laws, tax laws, labour protection laws and various commercial regulations. The latter mainly includes oil and gas industry-specific regulations such as environmental protection regulations, safety and health regulations and other industry rules. During the long history of operation in different countries and areas, the Group has developed a systematic approach to identifying, understanding and complying with legal requirements, including establishment of a dedicated compliance management unit, recruitment of qualified legal professionals, establishment of a database on laws and regulations, legal compliance training and timely review and approval of legal matters. During the year ended 31 December 2021, the Group is not aware of any non-compliance of laws and regulations in the jurisdictions where the Group operates that could have a material adverse effect on the Group's business, financial condition and operating results.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 94 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

Report of the Directors

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for 28.7% (2020: 25.7%) of the Group's total purchases and purchases from the largest supplier accounted for 18.6% (2020: 18.3%).

For the year ended 31 December 2021, the Group's sales to its five largest customers accounted for 55.4% (2020: 62.2%) of the Group's total sales and sales to the largest customer accounted for 37.0% (2020: 27.7%).

None of the Directors of the Company or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENT

Details of the Share Option Scheme of the Company are set out from pages 46 to 50 in the Report of the Directors of this annual report. Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year 2021 or subsisted at the end of the year 2021.

RESERVES

Details of movements in the reserves of the Company during the Reporting Year are set out from pages 96 to 97 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2021, reserves available for distribution of the Company, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB1,263.1 million (as at 31 December 2020: RMB1,260.8 million).

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in Note 17 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors:

Mr. Wang Guoqiang *(Chairman)*
Mr. Ethan Wu *(Chief Executive Officer)*
Mr. Li Qiang

Non-executive Directors:

Mr. Wu Jiwei
Ms. Chen Chunhua

Independent non-executive Directors:

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Wan Kah Ming

In accordance with Article 108 of the Articles of Association of the Company (the "Articles of Association"), Mr. Wu Jiwei, Mr. Wan Kah Ming and Mr. Wang Guoqiang will retire, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Details of the Directors to be re-elected at the forthcoming annual general meeting of the Company are set out in the circular to the Shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 30 to 35 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that Directors of the Company shall be indemnified out of assets of the Company from and against any losses or liabilities which they incur or sustain in executing their duties or responsibilities or other matters in connection with their duties as Directors. The Company has arranged appropriate Directors' and officers' liability insurance cover for the Directors and officers of the Company.

Report of the Directors

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2021.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into/renewed a service agreement with the Company for a term of three years.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director and controlling shareholders had a material interest in, either directly or indirectly, in any transaction, agreement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year 2021.

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 by the Company or existed during the year ended 31 December 2021.

EMOLUMENT POLICY

A remuneration committee was set up for optimising the Group's emolument policy and structure for all remuneration of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted a share option scheme as incentive to eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below.

In respect of the remuneration system of employees, the Group is optimising the remuneration structure and building an incentive system in line with the performance-based approach.

Particulars of the remuneration of the Group for the year ended 31 December 2021 are set out in Note 22 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in Note 22 and Note 34 to the consolidated financial statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Directors/ Chief Executive	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Wang Guoqiang	Beneficiary of trusts (Note 1)	651,484,000 (L)	35.14%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Mr. Ethan Wu	Beneficiary of trusts (Note 2)	651,484,000 (L)	35.14%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Ms. Chen Chunhua	Beneficial owner (Note 3)	3,500,000 (L)	0.19%
Mr. Wan Kah Ming	Beneficial owner	33,333 (L)	0.002%
	Beneficial owner (Note 3)	1,833,334 (L)	0.10%
Mr. Wu Kwok Keung Andrew	Beneficial owner (Note 3)	3,500,000 (L)	0.19%
Mr. Li Qiang	Beneficial owner (Note 3)	11,568,000 (L)	0.62%
Ms. Zhang Yujuan	Beneficial owner (Note 3)	2,500,000 (L)	0.13%
Mr. Wu Jiwei	Beneficial owner (Note 3)	15,000,000 (L)	0.81%

Notes:

1. Mr. Wang Guoqiang and his family members are the beneficiaries of Truepath Trust, a discretionary trust established by Mr. Wang Guoqiang, and therefore he is deemed to be interested in 489,512,000 shares of the Company held by Red Velvet Holdings Limited via Truepath Limited. Mr. Wang Guoqiang is also deemed to be interested in the shares held by Mr. Ethan Wu as they are parties acting in concert.

2. (i) Mr. Ethan Wu and his family members are the beneficiaries of Widescope Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 140,372,000 shares of the Company held by Elegant Eagle Investments Limited via Widescope Holdings Limited. (ii) Mr. Wu and his family members are the beneficiaries of True Harmony Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited. (iii) Mr. Ethan Wu is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.

3. Mr. Wang Guoqiang, Mr. Ethan Wu, Ms. Chen Chunhua, Mr. Wan Kah Ming, Mr. Wu Kwok Keung Andrew, Mr. Li Qiang, Ms. Zhang Yujuan and Mr. Wu Jiwei hold share options in respect of these shares. Details of the share options are set out below in the section headed "Share Option Scheme".

4. "L" denotes long position.

Report of the Directors

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Nature of Interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Widescope Holdings Limited (Note 1 and 6)	Beneficial owner	140,372,000 (L)	7.57%
Elegant Eagle Investments Limited (Notes 1 and 6)	Interest of controlled corporation	161,972,000 (L)	8.74%
Truepath Limited	Beneficial owner	489,512,000 (L)	26.41%
Red Velvet Holdings Limited (Notes 2 and 6)	Interest of controlled corporation	489,512,000 (L)	26.41%
Credit Suisse Trust Limited (Note 3)	Trustee	651,484,000 (L)	35.14%
Greenwoods Asset Management Hong Kong Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%
Jiang Jinzhi (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%
Invest Partner Group Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%

Report of the Directors

Notes:

1. Widescope Holdings Limited and Best Harvest Far East Limited are wholly owned by Elegant Eagle Investments Limited and therefore Elegant Eagle Investments Limited is deemed to be interested in 140,372,000 and 21,600,000 shares of the Company held by these two companies respectively.

2. Truepath Limited beneficially owned 489,512,000 shares of the Company. As Truepath Limited is wholly owned by Red Velvet Holdings Limited, Red Velvet Holdings Limited is deemed to be interested in 489,512,000 shares of the Company.

3. Credit Suisse Trust Limited is the trustee of the Widescope Trust and Truepath Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited and Red Velvet Holdings Limited respectively. Therefore, Credit Suisse Trust Limited is deemed to be interested in shares of the Company held by True Harmony Limited, Widescope Holdings Limited and Truepath Limited.

4. Such 119,000,000 shares represent the same parcel of shares.

5. "L" denotes long position.

6. Pursuant to section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Report of the Directors

NON-COMPETITION UNDERTAKING

Each of Mr. Wang Guoqiang, Truepath Limited, Red Velvet Holdings Limited, Mr. Ethan Wu, True Harmony Limited, Best Harvest Far East Limited, Widescope Holdings Limited and Elegant Eagle Investments Limited (the "Controlling Shareholders") has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company), (i) carry on, engage, participate or hold any right or interest in or render any services to or provide any financial support to or otherwise be involved in the provision of integrated oilfield services or any other business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business that may be carried on by any members of the Group or the Company from time to time whether as a Shareholder, Director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; or (ii) take any action which interfere with or disrupt or may interfere with or disrupt the Group's business, including but not limited to, solicitation of any of the customers, suppliers or employees of the Company or any member of the Group.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2021, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

The related party transactions during the year ended 31 December 2021 as set out in Note 32 to the consolidated financial statements in this annual report do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

Report of the Directors

SHARE OPTION SCHEME

The Company adopted a share option scheme on 1 December 2011 (the "Existing Share Option Scheme"), which will be expired on the tenth anniversary of its adoption. To enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions to the success of the Group, the shareholders at the annual general meeting held on 10 June 2021 had resolved to terminate the Existing Share Option Scheme and a new share option scheme (the "New Share Option Scheme") has been adopted.

As at 31 December 2021, 235,435,000 share options under the Existing Share Option Scheme remain outstanding and exercisable. No further option can be granted under the Existing Share Option Scheme upon its expiration, but all options granted previously will remain exercisable in accordance with the Existing Share Option Scheme.

1. Purpose

The New Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The purpose of the New Share Option Scheme is to enable the Group to grant share options to selected Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

2. Participants

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or Invested Entities;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entities; and

(c) any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

3. Total number of Shares available for issue under the Share Option Scheme

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the annual general meeting held on 10 June 2021 (i.e. a total of 185,377,599 shares).

Report of the Directors

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the New Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

5. Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

6. Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

7. Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee on acceptance of the offer for the grant of options is HK$1.00.

8. Basis of determining the subscription price

The subscription price of a share in respect of any particular option granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the options.

9. Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 10 June 2021, subject to the early termination provisions contained in the New Share Option Scheme. Since 31 December 2021, the remaining life of the New Share Option Scheme is approximately 9 years and 5 months.

Report of the Directors

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme does not exceed 10% of the issued share capital of the Company as at the annual general meeting held on 10 June 2021. The Company may at any time refresh such limit, subject to the issuance of a circular and the shareholder's approval in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

Movements of the share options under the Company's Existing Share Option Scheme during the year ended 31 December 2021 are as follows:

	Number of share options								
Grantee	Outstanding as at 1 January 2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2021	Date of grant	Date of expiry	Exercise price per share
Directors									
Mr. Wang Guoqiang	1,090,000 (Note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Ethan Wu	1,090,000 (Note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Wu Jiwei	9,000,000 (Note 5)	–	–	–	–	9,000,000	26/09/2018	25/09/2028	HK$0.740
	6,000,000 (Note 6)	–	–	–	–	6,000,000	06/12/2018	05/12/2028	HK$0.532
Ms. Chen Chunhua	1,000,000 (Note 2)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (Note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Wu Kwok Keung Andrew	1,000,000 (Note 2)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (Note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490

Report of the Directors

Grantee	Outstanding as at 1 January 2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2021	Date of grant	Date of expiry	Exercise price per share
	Number of share options								
Mr. Li Qiang	568,000 (Note 1)	–	–	–	–	568,000	20/02/2012	19/02/2022	HK$1.292
	1,000,000 (Note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	10,000,000 (Note 4)	–	–	–	–	10,000,000	31/08/2016	30/08/2026	HK$0.490
Ms. Zhang Yujuan	1,000,000 (Note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Wan Kah Ming	333,334 (Note 2)	–	–	–	–	333,334	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (Note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	500,000 (Note 4)	–	–	–	–	500,000	31/08/2016	30/08/2026	HK$0.490
Employees	5,864,000 (Note 1)	–	–	–	668,000	5,196,000	20/02/2012	19/02/2022	HK$1.292
	1,450,000 (Note 2)	–	–	–	1,450,000	0	29/03/2012	28/03/2022	HK$1.360
	27,630,000 (Note 3)	–	–	–	2,540,000	25,090,000	13/06/2013	12/06/2023	HK$4.694
	83,683,666 (Note 4)	–	–	–	1,916,000	81,767,666	31/08/2016	30/08/2026	HK$0.490
	50,500,000 (Note 5)	–	–	–	1,200,000	49,300,000	26/09/2018	25/09/2028	HK$0.740
	31,000,000 (Note 6)	–	–	–	–	31,000,000	06/12/2018	05/12/2028	HK$0.532
Other Grantees	1,300,000 (Note 2)	–	–	–	1,300,000	0	29/03/2012	28/03/2022	HK$1.360
	1,090,000 (Note 3)	–	–	–	1,090,000	0	13/06/2013	12/06/2023	HK$4.694
	3,000,000 (Note 4)	–	–	–	3,000,000	0	31/08/2016	30/08/2026	HK$0.490
Total	**248,599,000**	**–**	**–**	**–**	**13,164,000**	**235,435,000**			

* Other grantees include Mr. Liu Ruoyan and Mr. Lin Yang who resigned as an executive Director and a non-executive Director of the Company respectively on 31 August 2018. Pursuant to the resolution of the Board, the Company's options held by the above two grantees shall retain their effective exercise period of three years from the date of their resignation. As of 30 August 2021, all outstanding options held by Mr. Liu Ruoyan and Mr. Lin Yang became invalid.

Report of the Directors

Notes:

1. The closing price of the shares immediately before 20 February 2012 on which the share options were granted was HK$1.27 per share. 1/3 of which are exercisable from 20/02/2013 to 19/02/2022; 1/3 of which are exercisable from 20/02/2014 to 19/02/2022; and the remaining 1/3 are exercisable from 20/02/2015 to 19/02/2022.

2. The closing price of the shares immediately before 29 March 2012 on which the share options were granted was HK$1.33 per share. 1/3 of which are exercisable from 29/03/2013 to 28/03/2022; 1/3 of which are exercisable from 29/03/2014 to 28/03/2022; and the remaining 1/3 are exercisable from 29/03/2015 to 28/03/2022.

3. The closing price of shares immediately before 13 June 2013 on which the share options were granted was HK$4.57 per share. 1/3 of which are exercisable from 13/06/2014 to 12/06/2023; 1/3 of which are exercisable from 13/06/2015 to 12/06/2023; and the remaining 1/3 are exercisable from 13/06/2016 to 12/06/2023.

4. The closing price of shares immediately before 31 August 2016 on which the share options were granted was HK$0.49 per share. 1/3 of which are exercisable from 31/08/2017 to 30/08/2026; 1/3 of which are exercisable from 31/08/2018 to 30/08/2026; and the remaining 1/3 are exercisable from 31/08/2019 to 30/08/2026.

5. The closing price of shares immediately before 26 September 2018 on which the share options were granted was HK$0.73 per share. 1/3 of which are exercisable from 26/09/2019 to 25/09/2028; 1/3 of which are exercisable from 26/09/2020 to 25/09/2028; and the remaining 1/3 are exercisable from 26/09/2021 to 25/09/2028.

6. The closing price of shares immediately before 6 December 2018 on which the share options were granted was HK$0.54 per share. 1/3 of which are exercisable from 06/12/2019 to 05/12/2028; 1/3 of which are exercisable from 06/12/2020 to 05/12/2028; and the remaining 1/3 are exercisable from 06/12/2021 to 05/12/2028.

7. The weighted average closing price of the shares issued during the Reporting Year from exercise of options immediately before the dates on which the options were exercised was approximately HK$0.780 per share.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the twelve months ended 31 December 2021 under the Existing Share Option Scheme and the New Share Option Scheme.

CHARITABLE DONATIONS

During the year ended 31 December 2021, the Group made charitable donation of RMB1.4 million.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed together with the external auditor the accounting principles and policies adopted by the Group and the consolidated financial statements for the year.

Report of the Directors

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 52 to 66 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times up to the date of this report.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the share of the Company, they are advised to consult an expert.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2021.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and has been recommended by the Board for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Wang Guoqiang
Chairman

the PRC, 24 March 2022

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Year.

CORPORATE GOVERNANCE PRACTICES

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

The Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in the respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify the Directors of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this report, the Board comprises three executive Directors, namely Mr. Wang Guoqiang (Chairman), Mr. Ethan Wu and Mr. Li Qiang, two non-executive Directors, namely Mr. Wu Jiwei and Ms. Chen Chunhua and three independent non-executive Directors, namely Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Wan Kah Ming. The biographies of the Directors are set out under the section headed "Directors' and Senior Management's Biographies" of this annual report.

Save as Mr. Wang Guoqiang and Mr. Ethan Wu who are parties acting in concert as mentioned on page 42 in the Report of the Directors in this annual report, there is no material financial, business, family or other relevant relationship between the members of the Board.

Corporate Governance Report

During the year of 2021, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. More than one-third of the members of the Board are independent non-executive Directors, which bring the fairly strong independence elements in its compositions.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved, the Directors have agreed to and have disclosed their commitments to the Company in a timely manner.

Continuous Professional Development

During the Reporting Year, all Directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to the Group's business, corporate governance and regulations on the roles, functions and duties of a Director of a listed company:

Directors	Position	Reading regulatory update	Attending courses relevant to the business of the Group or Directors' duties
Mr. Wang Guoqiang	Executive Director	√	√
Mr. Ethan Wu	Executive Director	√	√
Mr. Li Qiang	Executive Director	√	√
Mr. Wu Jiwei	Non-executive Director	√	√
Ms. Chen Chunhua	Non-executive Director	√	√
Ms. Zhang Yujuan	Independent Non-executive Director	√	√
Mr. Wu Kwok Keung Andrew	Independent Non-executive Director	√	√
Mr. Wan Kah Ming	Independent Non-executive Director	√	√

Corporate Governance Report

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Board and the chief executive officer are currently held by Mr. Wang Guoqiang and Mr. Ethan Wu respectively, with clear distinction in their responsibilities. The chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group while the chief executive officer is responsible for the day-to-day operations of the Group.

Appointment and Re-election of Directors

Each of the Directors has entered into a service agreement with the Company for a term of three years which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with Article 108 of the Articles of Association, all Directors are subject to retirement by rotation at least once every three years, and according to Article 112 of the Article of Association, any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for election by Shareholders at the next following annual general meeting of the Company after appointment.

At the 2021 annual general meeting on 10 June 2021 (the "2021 AGM"), Mr. Li Qiang, Ms. Chen Chunhua and Ms. Zhang Yujuan retired by rotation pursuant to Article 108 of the Articles and Association. All of them were re-elected as Directors. Please refer to the Report of the Directors for details of the members of the Board who will retire from office and offer for re-election at the 2021 annual general meeting pursuant to the Articles of Association.

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

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notices have been given to the Directors in general. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Corporate Governance Report

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meetings are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Year, five Board meetings and one general meeting (2021 AGM) were held and the attendance of the individual Directors at these meetings is set out in the table below:

	Attended/Eligible to attend	
Directors	**Board Meetings**	**Annual General Meeting**
Mr. Wang Guoqiang	5/5	1/1
Mr. Ethan Wu	5/5	1/1
Mr. Li Qiang	5/5	1/1
Mr. Wu Jiwei	5/5	1/1
Ms. Chen Chunhua	4/5	1/1
Ms. Zhang Yujuan	5/5	1/1
Mr. Wu Kwok Keung Andrew	5/5	1/1
Mr. Wan Kah Ming	5/5	1/1

During the Reporting Year, the Chairman of the Company held two meetings with the independent non-executive Directors without the other Directors present.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the Reporting Year.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Corporate Governance Report

Directors have the right to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently. The Company has a system in place which can ensure the Board has access to independent viewpoints and opinions. This system includes regular closed meetings between the Chairman of the Board and the independent non-executive Directors. The Board reviews the system annually and considers such system effective and adequate.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices 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 practices 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;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendations to the Board where appropriate to enhance Shareholders' relationship with the Company.

During the Reporting Year, the Company has reviewed and updated the whistleblowing system and anti-corruption policy in accordance with the Listing Rules as guideline for its Directors and employees.

Corporate Governance Report

BOARD COMMITTEES

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, namely Mr. Wang Guoqiang (Chairman), Ms. Zhang Yujuan and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To identify suitable candidates for appointment as Directors;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee are then put to the Board for decision. The written terms of reference are available on the websites of the Stock Exchange and the Company.

During the Reporting Year, two meetings of the Nomination Committee were held on 26 March 2021 and 8 December 2021 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Wang Guoqiang	2/2
Ms. Zhang Yujuan	2/2
Mr. Wu Kwok Keung Andrew	2/2

During the Reporting Year, the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-election of the retired Directors.

Corporate Governance Report

Nomination Policy

The key nomination criteria and principles of the Company for the nomination of directors constitute the nomination policy of the Company ("Nomination Policy"). The provisions are set out below in detail:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identify individuals suitably qualified to become members of the Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) assess the independence of independent non-executive directors; and

(d) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the chief executive.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the measures taken by the Board to achieve diversity of its members.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company endeavours to select the best candidates as members of the Board. The Board currently comprises of 6 male members and 2 female members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee of the Company will monitor the execution of the policy annually. The Nomination Committee will review the policy from time to time as appropriate to ensure that the policy is effectively executed. The Nomination Committee will discuss any or necessary amendments and submit to the Board regarding the proposed amendments for their approval.

Corporate Governance Report

The Board has adopted the Board Diversity Policy on 27 August 2013 and reviewed the structure, size and composition of the Board according to the Board Diversity Policy on 26 March 2021 and 8 December 2021. All members of the Board have made contribution to their respective areas. All of the executive Directors are professionals in the oil and gas industry, who have incisive understanding to the oil and gas industry and have extensive experience in the specialized knowledge and corporate management. The non-executive Directors and independent non-executive Directors are experts in the areas of corporate operation, investment, law and financial management.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Ms. Zhang Yujuan (Chairman), Mr. Wang Guoqiang and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the operating results of the Company as well as market practice and conditions. The written terms of reference are available on the websites of the Stock Exchange and the Company.

During the Reporting Year, two meetings of the Remuneration Committee were held on 26 March 2021 and 8 December 2021 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Ms. Zhang Yujuan	2/2
Mr. Wang Guoqiang	2/2
Mr. Wu Kwok Keung Andrew	2/2

During the Reporting Year, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group. To avoid potential conflict of interest, members have abstained from voting on resolutions which he/she has or his/her associates have a material interest.

Corporate Governance Report

Details of the remuneration by band of the 7 members of the senior management of the Group, whose biographies are set out on pages 33 to 35 of this annual report, for the Reporting Year are set out below:

Remuneration band (RMB)	**Number of individual**
0 – 500,000	1
500,001 – 1,000,000	5
1000,001 – 1,500,000	1

Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Mr. Wu Kwok Keung Andrew (Chairman), Ms. Chen Chunhua and Mr. Wan Kah Ming. The majority of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the Year, three meetings of the Audit Committee were held on 26 March 2021, 25 August 2021 and 8 December 2021 respectively and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Wu Kwok Keung Andrew	3/3
Ms. Chen Chunhua	3/3
Mr. Wan Kah Ming	3/3

Corporate Governance Report

During the Reporting Year, the Audit Committee reviewed the audit plan, the financial reporting system, compliance procedures, internal control (including the adequacy of resources of the Group's accounting and financial reporting functions, staff qualifications and experience, and the adequacy of training program and budget), risk management systems and processes and the re-appointment of the external auditor. They also reviewed interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of the audit. There are proper arrangements made by the Group for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters. The Audit Committee reviewed the whistleblowing system for employees and those who deal with the Group (eg. customers and suppliers) to raise concerns in confidence about possible improprieties in any matter related to the Group and recommended on its enhancement and related staff training. The written terms of reference is available on the websites of the Company and the Stock Exchange.

As at 26 March 2021, 25 August 2021 and 8 December 2021, the Audit Committee met with the external auditor and discussed matters relating to audit and internal control.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the year ended 31 December 2021, the Company provides all members of the Board with regular updates on the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk management department in place which is responsible for overseeing and assessing internal control and risk management functions and reports to the Audit Committee. During the Reporting Year, the risk management department formulated risk management work plan and internal audit plans and carried out risk assessment of the overall operations of the Group after taking into account on various factors including changes in organisational structure and new market business expansion. At the same time, exit audit has been enhanced to minimise the impacts of change in personnel on the long-term and sustainable development of the enterprise.

Corporate Governance Report

The Group enhances overall risk control and reviews the effectiveness of the internal control system by (1) assessing the environment of internal control; (2) assessing whether the internal control system is adequate and effective; (3) reviewing the operation of key control procedures through sampling tests. In the course of building up the Group's internal control system, the internal audit function combines advance anticipation and checks, in-process tracking and examinations and follow-up audit investigations, while shifting away from the previous reactive approach to a preventive approach for the management of major risks. Through strengthening the oversight and assessment of the effectiveness of the internal control system, the risk management department facilitates effective implementation of systems and procedures in the course of operation and management, and continues to optimise the internal control system through risk-orientation to enhance the operating efficiency of the Group.

The risk management department reports to the Audit Committee on issues revealed during the audit on a bi-annual basis and follows up on the execution of rectification plans by relevant responsible persons. The person-in-charge of the risk management department attends each meeting of the Audit Committee and reports on the progress of audit plans and the findings of the audit and supervision.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for assessing and determining the risks and degree of risks the Group is willing to take in fulfilling the business objectives and ensures that the Group has in place and operates an effective risk management and internal control system.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

Working together with the management, the risk management department has completed the risk management matrix at the group level and comprehensively assessed the enterprise risks in five areas including strategies, finance, market, operation and legal compliance to identify high risk areas. They have also jointly formulated the coping strategies in relation to the high risk matters. The summary of the risk management matrix and coping strategies have been reported to the Board via the Audit Committee and have been approved by the Board and the Audit Committee. The coping strategies and action plans of the management have been integrated into the ordinary course of business of the enterprise and are subject to supervision by the risk management department. It is understood that the implementation of the strategies is to manage but not to eliminate the risks of non-fulfilment of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, via the Audit Committee, carried out an annual review on the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2021, which covers the areas including strategies, finance, market, operations and legal compliance. The Audit Committee has carried out the annual review to assess whether the resources, qualifications and experience of the employees of the risk management department of the Group and the external audit personnel are adequate, and whether the employees are capable of their roles and responsibilities. During the Reporting Year, the Board considered the risk management and internal control system of the Group adequate and effective, and the Group has complied with the relevant code provisions set out in the CG Code in connection with risk management and internal control.

Corporate Governance Report

INSIDE INFORMATION DISCLOSURE AND CONTROL MEASURES

With respect to inside information, the Group has adopted from time to time certain regulatory measures as appropriate to prevent violation of the disclosure requirements of the Group, including:

– Only a limited number of personnel (mainly the senior management and Directors) have access to inside information upon request. Employees having access to the inside information are fully aware of their confidentiality responsibilities.

– All employees (including the Directors of the Group) must strictly comply with the employment provisions regarding the administration of confidential information.

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars is not false or misleading as to material facts, or false or misleading through the omission of material facts, and presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, fees of RMB4.65 million were paid or payable to the Company's auditor, PricewaterhouseCoopers, for their audit services rendered. No non-audit services are rendered by PricewaterhouseCoopers for the reporting period.

COMPANY SECRETARY

The Company has appointed Ms. Ho Siu Pik ("Ms. Ho") as its company secretary. Ms. Ho is an executive director of the corporate services department of Tricor Services Limited and is in close collaboration and connection with Mr. Li Qiang, an executive director and the chief financial officer of the Company. For the year ended 31 December 2021, Ms. Ho has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rule.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. In order to develop and maintain an on-going relationship between the Company and Shareholders, the Company has established a range of channels of communication such that Shareholders may express their views on various matters affecting the Company, and the Company may solicit and understand the views of the Shareholders and the Company's stakeholders, such channels including annual general meetings, annual reports, interim reports, announcements, notices of meetings, circulars and proxy forms. The Company also encourage the shareholders to direct any queries about their shareholdings, share registration and related matters to the share registrar of the Company at the relevant time and at any time make a request for the Company's information to the extent that such information is publicly available.

The annual general meeting (the "AGM") of the Company provides an opportunity for Shareholders to communicate directly with the Board. The Chairman of the Company, the chairmen of the Board Committees and the external auditor of the Company attend the AGM to answer Shareholders' questions.

The notice of AGM will be distributed to all shareholders at least 20 clear business days prior to the AGM. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercise his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

A shareholders' communication policy was adopted pursuant to CG Code which aims at building a meaningful dialogue and two-way interaction with shareholders. Moreover, active approaches have been taken to ensure such dialogue and feedback is being considered in the Board's decisions. The Board understands that the shareholder's ownership enables them to elect responsible directors. The implementation and effectiveness of a shareholders' communication policy is subject to Board's review on a regular basis and is subject to amendment as and when appropriate to ensure its effectiveness. The shareholders' communication policy will be reviewed from time to time, but at least once a year, by the Board. To promote effective communication, the Company maintains a website at www.sptenergygroup.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. A dedicated Investor Relations section is available on the Company's website on which information relating the Group is updated on a regular basis. Information relating to the Group that has been disclosed on the Stock Exchange will also be published on the Company's website thereafter so as to ensure that Shareholders and potential investors can gain timely access to such information.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting. At the 2021 AGM, all resolutions were passed by poll by the Shareholders.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Article 64 of the Company's Articles of Association provides that an extraordinary general meeting may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified therein. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For proposal of a person for election as Director, pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's head office in the People's Republic of China or at the Company's registered office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to IR@sptenergygroup.com.

Corporate Governance Report

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 6 December 2018. According to the Dividend Policy, under the conditions that it is in compliance with the Cayman Islands Companies Law, the Company's Articles of Association, the consolidated financial statements of the Company is profitable in the relevant financial year and its accumulated undistributed profit is positive, and its cash flow meets the normal operation and long-term development, and subject to the decision of and other factors as considered appropriate by the Board, dividend distribution can be carried out. The Board will review the Dividend Policy from time to time.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there is no significant change in constitutional documents of the Company.

The PRC, 24 March 2022

Environmental, Social and Governance Report

I. ABOUT THIS REPORT

SPT Energy Group Inc. (stock code: 1251) hereby presents the Environmental, Social and Governance ("ESG") Report 2021 (the "Report") of the Company and its subsidiaries (collectively, the "Group" or "SPT Energy" hereafter) to demonstrate the concepts and practices of the Group in environmental, social and governance areas to all the stakeholders.

(1) Reporting Scope (Organising Scope, Reporting Period)

The reporting scope of this report covers all business operations of SPT Energy in the PRC and around the globe. The reporting period is from 1 January 2021 to 31 December 2021.

(2) Reporting Principles

"Materiality": The Group identifies material ESG issues through stakeholder engagement and materiality assessment, and makes key disclosures in the Report;

"Quantitative": The Report discloses the major key performance indicators in environmental aspects of the Group in quantitative terms;

"Balance": The Report presents the environmental and social performance of the Group impartially;

"Consistency": The relevant disclosure and statistical methods of the Report are consistent with those used in prior years, which will remain unchanged in the subsequent years.

II. ESG MANAGEMENT

1. Management Policy

The management of the Group shall comply with international environmental protection policies and safeguard labour interests, abide by the environmental laws and regulations of the PRC and other jurisdictions in which it operates, and follow internationally recognised labour standards and other applicable industry standards and international conventions to improve working conditions and employee benefits. It is a pre-requisite condition for the Group to perform its ESG responsibilities in providing good engineering and technology services to satisfy customers' needs, and to further apply these requirements to suppliers and distributors.

2. Management Structure

The Group has established a top-down ESG management structure consisting of the Board, the ESG Management Committee, the ESG Management Working Group and the ESG management personnel of the regional companies, subsidiaries and project departments in charge of the implementation of various ESG management work, including formulation of the Group's ESG strategies, identification and assessment of significant ESG issues and risks, discussion and addressing the significant ESG issues and supervision of the progress and performance of ESG related work.

The senior management is responsible for assessing and determining ESG-related risks, ensuring that the Group has put in place an appropriate and effective ESG risk management and internal control system, reporting the relevant risks and opportunities to the Board, and providing confirmation regarding the effectiveness of the ESG system.

Environmental, Social and Governance Report

3. Communication with stakeholders

The Group's stakeholders consist of governments, investors, customers, employees, suppliers, partners, media and community. The Group has established a diversified communication mechanism for different stakeholders, to understand their expectations and respond to their concerns. The communication mechanism includes: site visit and survey, accepting supervision and inspection, reporting daily management, convening conference, executing contracts, visiting customers, staff training, staff activity, performance management, bidding and tendering, appraisal and investigation, negotiation, communication and interview and enterprises publicity, etc.

III. QHSE MANAGEMENT

3.1 Product Quality Management

3.1.1 Quality Management System

As an oil-field service company, the Group upholds and places strong emphasis on product and technology service quality and strictly follows the "Product Quality Law of the People's Republic of China" and "Standardisation Law of the People's Republic of China", and other relevant laws and regulations to ensure that the product and technology service quality is within control, and has obtained the quality management system certification ISO9001:2015. During the process, the Group provides efficient and safe services to satisfy customers' requirements on quality, health, safety and environment.

3.1.2 Technological Innovation

The Group places high importance on technological research and development. In the course of more than 20 years of development, the petroleum industry has achieved rapid technological advancement. For the Group, technology is both the embodiment and the basis for survival. Over the years, the Group's research and development efforts and successes have gradually become a key driver of sustainable development for the Group. Therefore, the Group has obtained 66 new utility patents, 28 invention patents and 5 software copyright.

3.1.3 Customer Satisfaction

The Group has formulated the Customer Satisfaction Survey System, occasionally carrying out customer satisfaction surveys and taking customers' feedbacks seriously as part of its efforts to enhance the quality of products and technical services. To this end, customers are truly satisfied, which is beneficial for the Group to enhance its brand value.

For the year ended 31 December 2021, the Group did not violate any laws and regulations in the jurisdictions where the Group operates in relation to quality, health, safety and environment with respect to the products and services provided, nor receive any complaints or charges.

The Group has formulated and strictly implemented the Regulation on Trade Secrets which safeguards privacy and information security and employees have to enter into Employee Confidentiality Agreement upon engagement. The Group values customer privacy in the course of its ordinary business and uses its best endeavours to safeguard the privacy and security of every customer.

Environmental, Social and Governance Report

3.2 Environmental Protection Management

The Group strictly abides by the Environmental Protection Law of the People's Republic of China, the Law on Energy Conservation of the People's Republic of China and other environmental laws and regulations in the countries where it operates, while reducing the impact of its course of business on the species diversity and ecosystem.

The Group is likely to incur emission and consumption in the following four areas:

1. Emission from various vehicles used in the course of production and operation (emissions include nitrogen dioxide, sulphur dioxide and hydrocarbon related pollutants);

2. Discharge from solid waste and waste liquid (mainly include domestic garbage and domestic wastewater);

3. Consumption in the course of drilling and workover operations (diesel, electricity and water for production);

4. Consumption at various levels of the enterprise (water, electricity, natural gas and paper).

3.2.1 Emissions Management

The Group aims at reducing emission of greenhouse gas, and non-hazardous waste and the intensity of the use of water, energy and other resources.

Regarding waste liquid, drilling fluid, fracturing flowback fluid and sewage discharged from oilfield development operations are centrally treated by third parties directly engaged by the customers. Accordingly, the Group has no discharge of hazardous wastes. With respect to general domestic wastewater, it is directed to sewage treatment plant via sewage pipes.

As to solid wastes, general solid wastes and industrial solid wastes are collected, sorted and safely stored by category, which are eventually provided to service providers for collection, treatment and reuse.

Hazardous wastes arising in the course of production and operation are centrally managed by the customers. Accordingly, the Group has no emission of hazardous wastes, thus effectively safeguarding the environment of operation.

In the course of providing technology service and engaging in construction, the Group aims at reducing the emission of greenhouse gas and its major measures are as follows: 1) further strengthening the public transport reform that the management and employees should use public transport as the major means of transportation on a business trip; 2) implementing quantitative indicators for the use of diesel and gasoline by operation teams to monitor usage. Through the above measures, the emission of greenhouse gas has been reduced.

	Index	**Year ended 31 December 2021**	Year ended 31 December 2020	change
Major Emissions				
	Nitrogen oxide (kg)	**5,811.7**	4,821.9	989.8
	Sulphur oxide (kg)	**36.8**	48.5	(11.7)
	Particulates (kg)	**557.6**	463.6	94.0

Environmental, Social and Governance Report

	Index	Year ended 31 December 2021	Year ended 31 December 2020	change
Greenhouse Gas Emissions	Carbon dioxide (kg)	**3,605,438.9**	3,408,248.0	197,190.9
	Carbon dioxide equivalent in methane (kg)	**1.6**	1.2	0.4
	Carbon dioxide equivalent in nitrous oxide (kg)	**100.8**	75.1	25.7
	Gross greenhouse gas emissions (kg)	**3,605,541.3**	3,408,324.3	197,217.0
	Greenhouse gas emissions per million yuan of revenue (kg/RMB million)	**2,269.4**	2,643.6	(374.2)

Note: Data includes direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions. Direct (Scope 1): direct greenhouse gas emissions from the business owned by the Company, Indirect (Scope 2): indirect greenhouse gas emissions generated from the Company's internal consumption of (purchased) electricity.

	Index	Year ended 31 December 2021	Year ended 31 December 2020	change
Non-Hazardous Wastes	Domestic wastes (tonne)	**1,045.5**	784.8	260.7
	Domestic wastes discharge per million yuan of revenue (tonne/RMB million)	**0.7**	0.6	0.1
	Domestic wastewater (tonne)	**33,122.0**	26,645.9	6,476.1
	Domestic wastewater discharge per million yuan of revenue (tonne/RMB million)	**20.8**	20.7	0.1

3.2.2 Resources Conservation

The resource consumption involved in the course of production and office operation of the Group mainly includes water, power, natural gas, fuel oil, paper and others.

The Group has remodelled the equipment to replace oil with electricity (for drilling) and utilised state-of-the-art technology and process, which effectively minimises the operation cycle to achieve the target of energy consumption reduction. The Group promotes green purchasing, green workplace, green energy consumption and green travel.

As to production operations, the Group aims at reducing the water consumption for production such as drilling and well workover, and domestic water consumption for base office area. To this end, we installed water-saving equipment to strictly stop them from water dripping and leakage. We advocates for water saving while raising staff's awareness of water. For the year ended 31 December 2021, there was no wastage of water resources. There is no issue in sourcing water that is fit for purpose.

Environmental, Social and Governance Report

	Index		Year ended 31 December 2021	Year ended 31 December 2020	change
Energy Consumption	Electricity (kwh)		**5,678,532.7**	5,378,384.0	300,148.7
	Electricity consumption per million yuan of revenue (kwh/RMB million)		**3,574.1**	4,171.2	(597.1)
	Gas(m^3)		**438,724.0**	326,914.1	111,809.9
	Gas consumption per million yuan of revenue (m^3 /RMB million)		**276.4**	253.6	22.8
	Oil(m^3)	Diesel	**1,882.3**	2,706.0	(823.5)
		Gasoline	**409.7**	317.3	92.4
		Engine oil	**79.8**	61.1	18.7
	Oil consumption per million yuan of revenue (m^3/RMB million)		**1.5**	2.4	(0.9)
	Paper (piece)		**1,155,010.0**	864,287.0	290,723.0
	Paper consumption per million yuan of revenue (piece/RMB million)		**727.0**	670.4	56.6

	Index	Year ended 31 December 2021	Year ended 31 December 2020	change
Water Consumption	Water consumption for production (m^3)	**119,672.3**	98,567.0	21,105.3
	Water consumption for production per million yuan of revenue (m^3/RMB million)	**75.3**	75.8	(0.5)
	Water consumption for domestic and office use (m^3)	**32,909.8**	29,103.2	3,806.6
	Water consumption for domestic and office use per million yuan of revenue (m^3/RMB million)	**20.7**	22.6	(1.9)

	Index	Year ended 31 December 2021	Year ended 31 December 2020	change
Packaging Material Consumption	Cartons (tonne)	**2.1**	2.0	0.1

Environmental, Social and Governance Report

3.2.3 Environment and Climate Change

The Group is committed to ecological and environmental protection by being actively attentive to climate change and promoting the development of the environmental management system. The Group has obtained the ISO14001: 2015 Environmental Management System Certification.

"Letters of Responsibility for Quality, Health, Safety and Environment ("QHSE") Assessment" have been entered into between the head of the production safety management committee of the Group and the managers of subsidiaries and project departments. It is required that the person-in-charge of the unit must inspect QHSE work onsite on a quarterly basis. The production safety management committee of the Group organises major inspections on safety production twice a year during winter and summer. The production safety management committee also requires that the education of employees on production safety and the employees' awareness on environmental protection shall be strengthened whereas the impacts of production and operation activities on environment shall be reduced.

Through measures such as using clean energy and increasing the operation efficiency, the Group is able to reduce energy use and greenhouse gas emissions, so as to actively respond to the issue of climate change. For the year ended December 31, 2021, our activities did not have significant impacts on the environment and natural resource. We did not identify any significant climate-related issue which have impacted, or may impact the Group.

3.3 Occupational Health and Safety Management

3.3.1 Pandemic Prevention and Control

In 2021, the COVID-19 pandemic in overseas is still spreading, and the domestic Pandemic is characterized by multiple points, clusters and spreads. To this end, the Group continued to carry out normalization of Pandemic prevention and control, and released the Pandemic information of the Group, national case information, medium and high risk areas, regional Pandemic prevention policies and requirements for Pandemic prevention and control measures on a daily basis; actively cooperated with the government and relevant departments in investigating personnel with overlapping spatial-temporal trajectories; paid close attention to changes in the overseas Pandemic situation; strengthened the management of business trip approval, so as to ensure the life and health of all employees.

Environmental, Social and Governance Report

3.3.2 Major Safety Inspection of the Group

During the year, the summer and winter safety inspections of the Group were carried out by two inspection teams formed in the domestic region to conduct cross-regional inspections; in foreign regions, the regional safety supervisors led the team to organize the inspections, or for the regional leaders to organize personnel to conduct inspections in the region.

For the safety hazards identified during the inspection, the person responsible for the rectification and the rectification measures are identified by issuing the "Safety Hazard Rectification Notice". A dedicated person then followed-up on the rectification to make sure that the inspection and rectification were carried out. For any irregularities found during the inspection, the "Safety Violation Penalty Notice" will be given. Through carrying out safety inspections, the Group ensures its safety production objectives are met.

3.3.3 Carry out Safety Year Activities, with the Theme of "How to Learn and Use Laws to Protect Our Lives"

In 2021, the safety committee of the Group focused on the learning of the Safety Production Law and the Rules and Regulations on Epidemic Prevention and Control, and carried out activities with the theme of "How to Learn and Use Laws to Protect Our Lives". Through a series of activities, all employees of the Group have become practitioners of "How to Learn and Use Laws to Protect Our Lives", in order to facilitate the realization of the annual business objectives of the Group. Major activities adopted include:

(1) analyzing and identifying of weaknesses in production safety, and implementation of preventive and improvement measures;

(2) solicitating of papers with the theme of "How to Learn and Use Laws to Protect Our Lives";

(3) leveraging the cloud-based learning platform, organizing of all levels of managers and full-time (part-time) safety management personnel to carry out trainings on the Work Safety Law and the Rules and Regulations on Epidemic Prevention and Control;

(4) holding safety knowledge test ranking competition.

Environmental, Social and Governance Report

3.3.4 Launch of Emergency Management Programs

In order to encourage employees to learn emergency response skills and improve the emergency management work level of the Group, the Safety and Environmental Protection Department and the Training Performance Center jointly recorded, edited and uploaded 37 sessions of emergency management course videos, with a total of more than 20 hours of video duration for all employees of the Group to learn.

3.3.5 Organizing live training on production safety

In order to improve the management on production safety of the Group, assist all units to be well positioned for production safety and promote the healthy development of the enterprise, a series of safety production trainings were jointly held by the Safety and Environmental Protection Department and the Training Performance Center in the form of online live streaming on the learning platform.

The First Session, held on 18 November, was conducted by Liu Dongqin, the vice president of the Group and Zhang Yanjun, the safety director of the Group, with the theme of "Safety Due Diligence and Improvement of Emergency Response Capabilities", totaling 204 participants.

The Second Session, held on 2 December, was conducted by 吾買爾江，the safety director of the regional company in Xinjiang, with the theme of "Summary of Safety Production Management and Experience Sharing in Xinjiang", totaling 125 participants.

3.36 Work Injury Statistics

Number of deaths due to work in the past three years (2021 inclusive)	0
Percentage of deaths due to work in the past three years (2021 inclusive)	0
Number of work days lost due to work-related injuries in 2021	0

Environmental, Social and Governance Report

4. EMPLOYEES' RIGHTS AND INTERESTS

4.1 Legal Employment

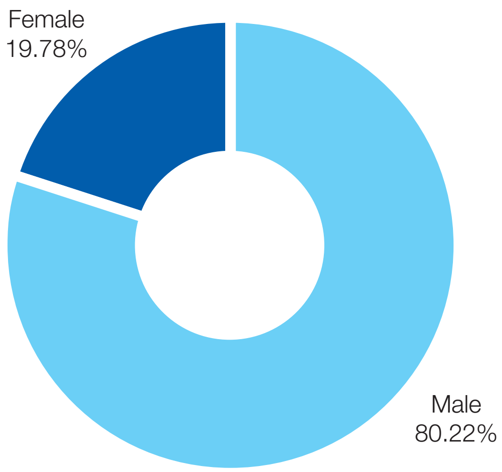
The Group complies with the state laws and local laws in relation to recruitment. These laws and regulations include: the Labour Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour, the Provisions on Special Protection of Minors and the Labour Law of the Republic of Kazakhstan, etc. The Group undertakes not to use forced labour, pledged labour (including bonded labour), indentured labour or non-voluntary prison labour and not to be involved in slavery nor labour trafficking. All work must be performed voluntarily and employees have the right to leave or terminate its employment contract immediately. No employment condition should require any employees to hand in any personal identification, passport or VISA issued by the government. No expenses other than those required to be charged under relevant laws and regulations should be charged to the employees and the charges (if any) must be disclosed publicly. Child labour is strictly prohibited at any stage of production or manufacturing. Wages paid to employees shall comply with the labour laws applicable to the places of employment and wage payment receipts must be issued to employees in the form of wage slip or other similar papers in a timely manner. No brutal or inhumane action and any threat of the following actions can be taken against the employees, including any form of sexual harassment, sexual abuse, physical punishment, mental or physical oppression or verbal abuse. The human resources department of the Group requires applicants to present valid ID documentation upon recruitment and carries out background checks as appropriate based on the information provided. As of 31 December 2021, the Group had no labour disputes or any non-compliance with laws and regulations relating to child labour or forced labour.

Environmental, Social and Governance Report

As of 31 December 2021, the employee structure and number of separations of the Group are as follows:

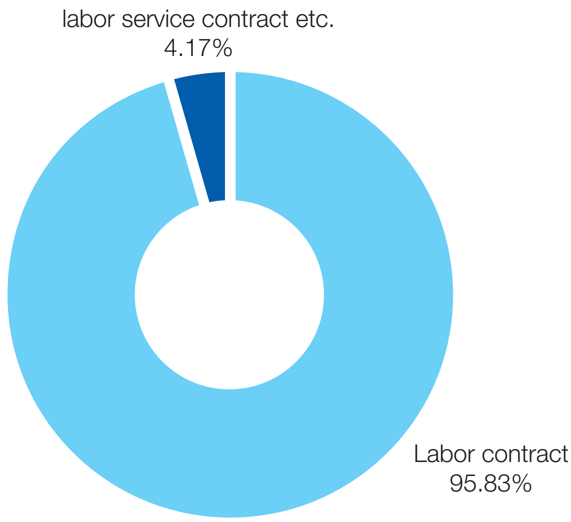
Total workforce by gender, employment type, age group and region (number of employees at the beginning of the period: 3,939 number of employees at the end of the period: 4,504 number of separations: 811)

Gender



	Number of employees
Male	3,613
Female	891
Total	4,504

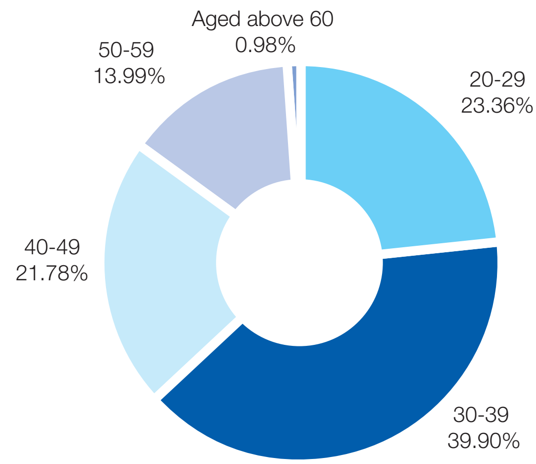
Employment Type



	Number of employees
Labor contract	4,316
labor service contract etc.	188
Total	4,504

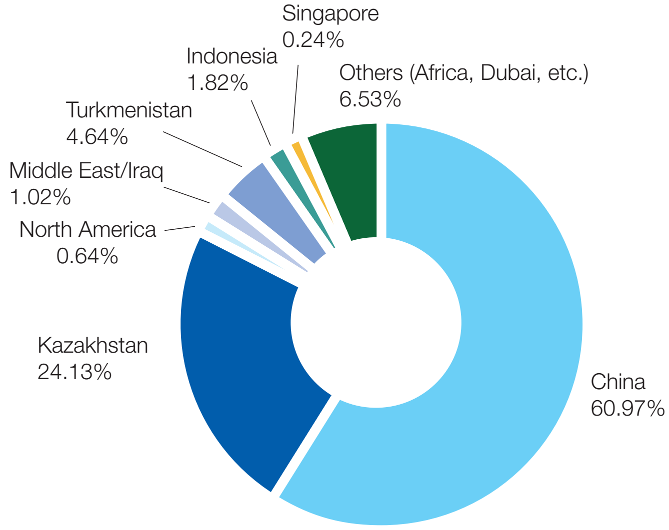
Environmental, Social and Governance Report

Age Group



	Number of employees
20-29	1,052
30-39	1,797
40-49	981
50-59	630
Aged above 60	44
	Total 4,504

Region

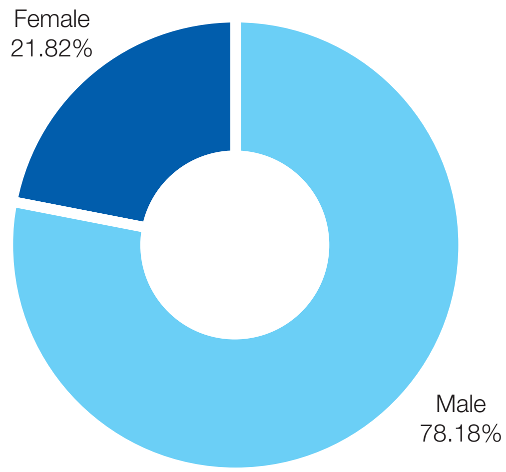


	Number of employees
China	2,746
Kazakhstan	1,087
North America	29
Middle East/Iraq	46
Turkmenistan	209
Indonesia	82
Singapore	11
Others (Africa, Dubai, etc.)	294
	Total 4,504

Environmental, Social and Governance Report

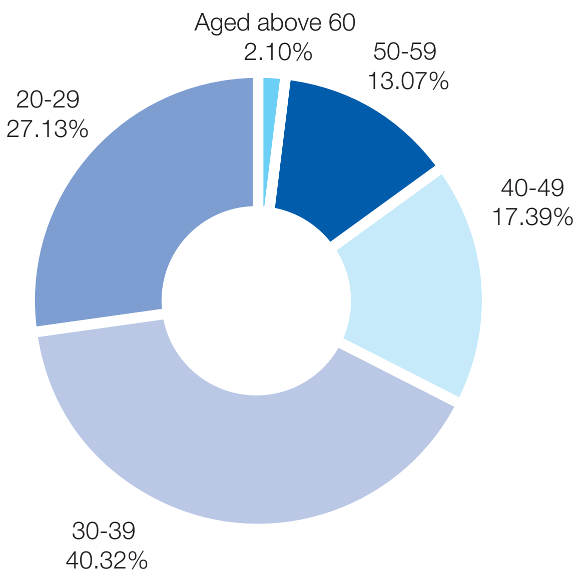
Employee turnover rate by gender, age group and region (turnover rate= number of separations at the current period/(number of employees at the end of the period+ number of separations at the current period))

Gender



	Turnover rate
Male	14.93%
Female	16.57%

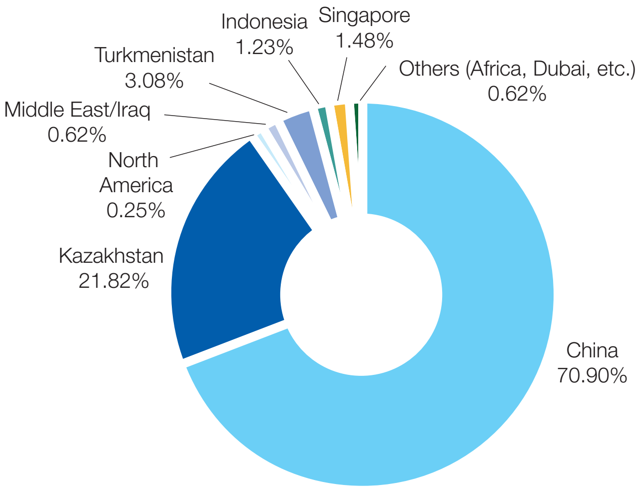
Age group



	Turnover rate
Aged above 60	27.87%
50-59	14.40%
40-49	12.57%
30-39	15.40%
20-29	17.30%

Environmental, Social and Governance Report

Region



	Turnover rate
China	17.31%
Kazakhstan	14.00%
North America	6.45%
Middle East/Iraq	9.80%
Turkmenistan	10.68%
Indonesia	10.87%
Singapore	52.17%
Others (Africa, Dubai, etc.)	1.67%

4.2 Development and Training

The Group kept improving its training system and strived to develop various training programs related to, among others, management, technology, project, operation, safety and orientation training for new employees. We continued to strengthen our efforts to develop online learning platform, carrying out a number of online training programs, including “New Technology Development Forum”, “Key Technical Personnel Training Camp”, “Senior Manager Training Camp” and “Project Management Training Camp”, as well as offline training programs, including “Cultural Team Building”, “Project Management”, “Meet and Greets”, “Cultural Training”, “Safety Training Series” and “Senior Management Training”, so as to comprehensively promote our talent development programs.

From January to December 2021, attendance in the training reached 20,352 and the training covered all business regions and project departments domestically and abroad with 171,446 training hours cumulatively.

Environmental, Social and Governance Report

4.2.1 Online Training Programs – Technical Training

In order to accelerate the training of talents, the Group launched a series of training projects, including: two sessions of the online "Key Technical Personnel Training Camp", with the participation rate of key technical personnel of the Group reaching 90%;

Six sessions of the New Technology Development Forum, with the participation rate of technical personnel reaching 100%; two sessions of live safety training, with more than 500 people joining the training online;

46 batches of New Employees Online Orientation and Training, with the participation rate of newly engaged employees of the Group reaching 100%;

Three series of other specific trainings and exams, with more than 200 people joining the training online;

107 internal electronic curriculums were developed and uploaded, 31 "New Course Express" was released, and 81 internal trainers were developed.

4.2.2 Offline Training Programs

In light of the prevention and control of the pandemic, the Group carried out ten training courses on cardiopulmonary resuscitation and prevention and control of the pandemic;

Led by the Group's management team, the "Five Forces Model" management workshop was launched, with the participation rate of management personnel reaching 100%;

Four batches of "project management" training camps were conducted in view of market demand, with the participation rate of market personnel reaching 100%;

Nearly ten large-scale outreach activities of the Group and one annual meeting were organized.

Environmental, Social and Governance Report

Daily work-break exercises were initiated across the Group.

By Gender

Gender	Male	Female	Total
Total number of trainees	17,858	2,494	20,352
Percentage of total trainees	87.75%	12.25%	100%

By Type

Type	Senior management	Middle management	Basic level	Total
Number of trainees	204	611	19,538	20,352
Percentage of total trainees	1.00%	3.00%	96.00%	100.00%

By Gender Average training hours

Gender	Male	Female	Total
Number of trainees	17,858	2,494	20,352
Training hours	150,436	21,010	171,446
Average hours of training	5	5	5

Environmental, Social and Governance Report

V. RESPONSIBILITY MANAGEMENT

5.1 Supply Chain Management

The Group adopts an "access system" for the selection of new suppliers. In other words, the procurement unit (project department) under the Group will initiate the application for a supplier access according to the operation demand. Once the application has been approved, the supplier is qualified and the Group can then conduct business transactions with them. As of 31 December 2021, the Group has a total of 1,180 suppliers adopted into the access system and all were included in the supplier list.

The Risk Management Department of the Group is responsible for the day-to-day supervision for the implementation of the access system and conducts regular internal audit.

Regarding the access of new suppliers, suppliers are required to provide qualifications such as the "Basic Information Questionnaire" and sign an anti-fraud commitment letter. Depending on the characteristics of the business, we will also conduct on-site visit to suppliers.

The Group conducts annual performance evaluations of its suppliers to review the quality of their products or services, to ensure that the suppliers' comprehensive capabilities, including quality assurance capabilities and production or service assurance capabilities, meet the Group's requirements. The assessments also facilitate continuous improvement of suppliers.

As an oil-field service entity, the Group has always attached importance to environmental protection and sustainable development. This concept will also be passed on to the downstream suppliers of the supply chain, thereby enhancing the sustainable development of the entire chain and ultimately achieving green supply chain management.

The Group has enhanced its information technology and modern management practices to optimise every aspect of cooperation with suppliers.

The Group will focus on developing long-term strategic cooperation relationship with suppliers who do a better job in terms of environmental protection and sustainable development and place more purchase orders with them as incentives.

As of 31 December, 2021, the number of suppliers by region of the Group is as follows:

Year	Total number of suppliers for the year from January to December	Overseas region	In China	Distribution of major cities in China				
				Xinjiang	Sichuan and Chongqing	Beijing	Tianjin	Others
2021	1,180	576	604	128	80	68	65	263

Environmental, Social and Governance Report

5.2 Anti-Corruption Management

The Group and its employees are in strict compliance with relevant laws and regulations in the regions where it operates, including the "Company Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Criminal Law of the People's Republic of China" and "Prevention of Bribery Ordinance" of Hong Kong Special Administrative Region of the PRC. During the year ended 31 December 2021, there were no major incidents of corruption, bribery, extortion, fraud or money laundering, and no concluded legal cases of corruption brought against the Group or its employees, either. Minor incidents of fraud committee by certain employees of the Group uncovered during the year were properly investigated and dealt with.

5.2.1 Improve the anti-fraud reporting procedures and working mechanism as follows

There is a hotline and a mail box published on the official website of the Group where employees may file complaints of any fraud incidents identified and the evidences on hand under their name or anonymously by phone, email, wechat and post, which effectively smoothen the supervision channel among employees.

In order to intensify our efforts to fight against fraud, the Group established a supervisory department in 2021, which is responsible for conducting detailed investigation and properly handling for any reports of alleged fraud or any suspected fraud identified during audit.

The Group has established a top-down anti-fraud working mechanism, and implemented rigid management of "strengthen compliance, supervision and disciplinary action (規範有序、接受監督、加強懲戒)" in accordance with the management requirements of "everyone is held responsible for his duties, accountable for his action and liable for his dereliction (有職就有責、任職要負責、失職要問責)". The supervisory department of the Group tracks possible fraud, misconduct, and dereliction of duty in the internal audit process. It takes the initiative to learn about cases of disciplinary violations during work interviews, and organizes special supervision work on a regular basis. It also conducts off-office auditing on regional company heads, department heads and other personnel with economic responsibilities. It will also participate in the tendering process of the Group's large-scale procurement of materials and services and supervise the evaluation process. It conducts anti-fraud investigations in a timely manner in response to reported suspected fraud and files their opinions based on the investigation results.

5.2.2 Create an anti-fraud cultural environment and promote moral integrity education

The Group has formulated and issued a number of internal supervision and management systems such as the "Anti-fraud Management System", "Anti-fraud Work Rules", "Rules for Handling Employee Violations" and "Risk Management Requirements Regarding the Appointment of Senior Management".

The Group has put forward a code of conduct for the management team and lifted a ban as "Eight Prohibitions". Also, the Group actively promoted corruption-free and integrity campaign, aiming to improve the integrity awareness of all employees and their ability to identify fraud in the form of trainings and interviews, ultimately preventing the occurrence of fraud.

Environmental, Social and Governance Report

5.3 Social Responsibility

In providing oil-field service, the Group satisfies the requirements regarding environment protection of the relevant parties through effective implementation of environmental protection and social investment measures. In addition to undertaking social responsibilities, it has built a friendly, harmonious and win-win environment with local residents. In 2021, the Group fulfilled its social and caring responsibilities in letting its employees participate in visiting the elderly in Beijing Changping Welfare Home and sending gifts as well as make donations to the people suffered from the rainstorm in Henan province.

Since the outbreak of the COVID-19 pandemic, the Group has actively cooperated with the local government to implement various policy requirements for COVID-19 pandemic prevention. At the same time, the Group has been deeply concerned about the safety and health of every frontline employee and their family members. It has deployed and planned in advance, and purchased various daily commodities, health care products and pandemic prevention kits, etc., which were delivered to each employee's family and alleviated their worries.

Independent Auditor's Report

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of SPT Energy Group Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 92 to 184, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 matters identified in our audit are summarised as follows:

- Recoverability of the carrying amounts of machinery and equipment in the People's Republic of China (the "PRC") region

- Provision for inventories

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the carrying amounts of machinery and equipment in the PRC region Refer to Notes 4 and 6 to the consolidated financial statements. The loss making or low level of profit status of certain subsidiaries of the Group gave rise to possible indication that the Group's machinery and equipment in the PRC region might be impaired. As at 31 December 2021, the carrying amount of machinery and equipment in the PRC region amounted to RMB215 million. During the year ended 31 December 2021, management has identified cash generating units ("CGUs") and prepared discounted cash flow models of those CGUs based on value-in-use method for the assessment of potential impairment over the carrying amounts of machinery and equipment in the PRC region, where certain key assumptions have been adopted. We focused on auditing the recoverability of the carrying amounts of machinery and equipment in the PRC region because the carrying amounts of machinery and equipment in the PRC region as at 31 December 2021 were significant, and the estimation of impairment provisions was subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of recoverability of such carrying amounts is considered significant due to complexity of the model and subjectivity of assumptions used. Therefore, we had identified this as a key audit matter.	In addressing this matter, we had performed the following procedures: • We obtained an understanding of management's internal control and assessment process of identifying impairment indicator and recoverability of carrying amounts of machinery and equipment in the PRC region and assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity. • We considered the CGUs as identified by management. • We evaluated the calculation and the result of value-in-use method for the assessment of potential impairment over the carrying amounts of the machinery and equipment in the PRC region. • We evaluated the key assumptions adopted by management in preparing the discounted cash flow models, including comparison of (i) forecast revenue to budget and historical information; and (ii) forecast gross margin to historical information; and (iii) discount rate to external market data and published information of comparable companies; and also including consideration of relevant market demand and economic environment, etc. • We checked mathematical accuracy of the relevant discounted cash flow models. • We evaluated management's sensitivity analysis on the key assumptions, to ascertain the extent to which adverse changes, will affect the outcome of the impairment assessment of the machinery and equipment in the PRC region significantly. Based upon our work, we found the management's judgment used in the assessment of recoverability of the carrying amounts of machinery and equipment in the PRC region were supported by available evidence.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories Refer to Notes 4 and 10 to the consolidated financial statements. As at 31 December 2021, the carrying amount of inventories amounted to RMB507 million, which was stated net of a provision of RMB77 million. The loss making or low level of profit status of certain subsidiaries of the Group gave rise to possible impact on the inventories which may not be ultimately utilised or consumed in its operations within normal operating cycle of the Group's business. We focused on auditing the provision for inventories because the carrying amount of inventories as at 31 December 2021 was significant, and the estimation of provision for inventories was subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of inventories provision is considered significant due to subjectivity of assumptions used. Therefore, we had identified this as a key audit matter.	In addressing this matter, we had performed the following procedures: • We understood the Group's internal controls on identifying slow-moving inventories and the process of inventory provisions, and assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity. • We observed and tested the result of physical count of inventories performed by the Group at the year end. • We evaluated the level of inventory provision made, including (i) enquiry of management to understand the future usage plans of the slow-moving inventories; (ii) review of the forecasted usage of the slow-moving inventories prepared by management, (iii) analysis of the profit margin of the related sales contracts; and (iv) review of the basis of the provisions made. Based upon our work, we found the management's judgment used in the assessment of provision for inventories prepared by management were supported by available evidence.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 THE AUDIT COMMITTEE 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 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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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. We report our opinion solely to you, as a body, 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 scepticism 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.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC. (Continued)
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- 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.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Leong Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

(If there is any inconsistency between the English and Chinese version of this independent auditor's report, the English version shall prevail.)

Consolidated Balance Sheet

		As at 31 December	
	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*6*	**402,533**	412,254
Right-of-use assets	*7*	**90,731**	97,049
Intangible assets	*8*	**17,384**	3,306
Investments in associates	*9*	**2,840**	4,018
Deferred income tax assets	*20*	**116,674**	117,707
Financial assets at fair value through other comprehensive income	*3.3(i)*	**11,688**	15,718
Prepayments and other receivables	*12*	**5,338**	28,959
		647,188	679,011
Current assets			
Inventories	*10*	**507,280**	436,400
Contract assets	*5*	**30,096**	21,811
Trade and note receivables	*11*	**999,247**	1,034,259
Prepayments and other receivables	*12*	**214,029**	183,905
Restricted bank deposits	*13*	**29,434**	27,337
Cash and cash equivalents	*13*	**359,415**	321,618
		2,139,501	2,025,330
Total assets		**2,786,689**	2,704,341
Equity			
Equity attributable to the Company's equity holders			
Share capital	*14*	**1,178**	1,178
Share premium	*15*	**848,026**	848,026
Other reserves	*16*	**332,812**	330,378
Currency translation differences		**(554,995)**	(528,924)
Retained earnings		**566,485**	562,342
		1,193,506	1,213,000
Non-controlling interests		**12,134**	18,371
Total equity		**1,205,640**	1,231,371

Consolidated Balance Sheet

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*17*	**225,099**	233,077
Non-current lease liabilities	*7*	**35,807**	46,660
Deferred income tax liabilities	*20*	**25,991**	21,991
		286,897	301,728
Current liabilities			
Borrowings	*17*	**292,903**	193,000
Current portion of long-term borrowings	*17*	**59,889**	65,266
Contract liabilities	*5*	**44,776**	7,266
Trade and note payables	*18*	**673,355**	697,413
Accruals and other payables	*19*	**144,195**	125,298
Current income tax liabilities		**50,842**	64,795
Current portion of lease liabilities	*7*	**28,192**	18,204
		1,294,152	1,171,242
Total liabilities		**1,581,049**	1,472,970
Total equity and liabilities		**2,786,689**	2,704,341

The accompanying notes on pages 99 to 184 are an integral part of these consolidated financial statements.

The financial statements on pages 92 to 184 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Wang Guoqiang
Director

Ethan Wu
Director

Consolidated Income Statement

		Year ended 31 December	
	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	*5*	**1,588,799**	1,289,267
Other gains, net	*21*	**4,895**	25,550
Operating costs			
Material costs		**(354,883)**	(277,825)
Employee benefit expenses	*22*	**(537,018)**	(476,903)
Short-term and low-value lease expenses	*7*	**(94,055)**	(74,471)
Transportation costs		**(42,502)**	(32,255)
Depreciation and amortisation		**(75,237)**	(75,756)
Technical service expenses		**(226,672)**	(227,434)
Net impairment losses of financial and contract assets	*3*	**(10,282)**	(23,393)
Impairment losses of inventories and prepayments	*10,12*	**(10,141)**	(28,452)
Others		**(189,506)**	(162,729)
		(1,540,296)	(1,379,218)
Operating profit/(loss)		**53,398**	(64,401)
Finance income	*24*	**721**	892
Finance costs	*24*	**(42,714)**	(37,487)
Finance costs, net		**(41,993)**	(36,595)
Share of net profit of associates accounted for using the equity method		**470**	148
Profit/(loss) before income tax		**11,875**	(100,848)
Income tax (expense)/credit	*25*	**(7,688)**	2,444
Profit/(loss) for the year		**4,187**	(98,404)
Attributable to:			
Owners of the Company		**8,795**	(91,189)
Non-controlling interests		**(4,608)**	(7,215)
		4,187	(98,404)
Earnings/(losses) per share for the profit attributable to the owners of the Company (RMB)			
Basic earnings/(losses) per share	*27*	**0.005**	(0.049)
Diluted earnings/(losses) per share	*27*	**0.005**	(0.049)

The accompanying notes on pages 99 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the year	**4,187**	(98,404)
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(8,719)**	(45,913)
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**(16,752)**	(50,804)
Changes in fair value of equity investments at fair value through other comprehensive income	**(4,030)**	(3,898)
Total comprehensive loss for the year	**(25,314)**	(199,019)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(21,306)**	(192,592)
Non-controlling interests	**(4,008)**	(6,427)
	(25,314)	(199,019)
Total comprehensive loss for the year	**(25,314)**	(199,019)

The accompanying notes on pages 99 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company							
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2020		1,178	847,899	324,192	(431,486)	655,757	1,397,540	102,029	1,499,569
Comprehensive loss									
Loss for the year		–	–	–	–	(91,189)	(91,189)	(7,215)	(98,404)
Other comprehensive (loss)/income		–	–	(3,898)	(97,505)	–	(101,403)	788	(100,615)
Total comprehensive loss		–	–	(3,898)	(97,505)	(91,189)	(192,592)	(6,427)	(199,019)
Transactions with owners in their capacity as owners									
Share-based payments	*22*	–	–	7,420	–	–	7,420	–	7,420
Transfer to statutory reserves		–	–	2,226	–	(2,226)	–	–	–
Share options exercised		–	127	(39)	–	–	88	–	88
Capital injection of subsidiaries		–	–	477	–	–	477	5,219	5,696
Transaction with non-controlling interests		–	–	–	67	–	67	40	107
Closure of a subsidiary		–	–	–	–	–	–	(82,490)	(82,490)
Transactions with owners in their capacity as owners		–	127	10,084	67	(2,226)	8,052	(77,231)	(69,179)
Balance as at 31 December 2020		1,178	848,026	330,378	(528,924)	562,342	1,213,000	18,371	1,231,371

Consolidated Statement of Changes in Equity

	Note	Equity attributable to owners of the Company							
		Share capital	Share premium	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2021		1,178	848,026	330,378	(528,924)	562,342	1,213,000	18,371	1,231,371
Comprehensive income/(loss)									
Profit/(loss) for the year		–	–	–	–	8,795	8,795	(4,608)	4,187
Other comprehensive (loss)/income		–	–	(4,030)	(26,071)	–	(30,101)	600	(29,501)
Total comprehensive (loss)/income		–	–	(4,030)	(26,071)	8,795	(21,306)	(4,008)	(25,314)
Transactions with owners in their capacity as owners									
Share-based payments	*22*	–	–	2,289	–	–	2,289	–	2,289
Transfer to statutory reserves		–	–	4,652	–	(4,652)	–	–	–
Transactions with non-controlling interests		–	–	(477)	–	–	(477)	(2,229)	(2,706)
Transactions with owners in their capacity as owners		–	–	6,464	–	(4,652)	1,812	(2,229)	(417)
Balance as at 31 December 2021		1,178	848,026	332,812	(554,995)	566,485	1,193,506	12,134	1,205,640

The accompanying notes on pages 99 to 184 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

		Year ended 31 December	
	Note	**2021** **RMB'000**	2020 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*28*	**27,569**	(140,795)
Income tax paid		**(14,901)**	(21,566)
Net cash generated from/(used in) operating activities		**12,668**	(162,361)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,924)**	(108,641)
Proceeds from disposal of property, plant and equipment		**89**	83,945
Purchases of intangible assets		**–**	(1,121)
Purchases of financial assets at fair value through other comprehensive income		**–**	(19,616)
Payments to non-controlling interests on liquidation of a subsidiary		**–**	(82,490)
Transactions with non-controlling interests		**(1,452)**	–
Increase in restricted bank deposits		**(2,097)**	(9,781)
Cashflow from other investing activities		**14,440**	–
Partial payment of consideration for acquisition of a subsidiary, net of cash acquired	*31*	**7,411**	–
Interest received		**626**	813
Proceeds from disposal of an associate		**–**	5,040
Dividends received from an associate		**178**	82
Dividends received from investment in financial assets at fair value through other comprehensive income		**1,004**	–
Net cash generated from/(used in) investing activities		**8,275**	(131,769)
Cash flows from financing activities			
Proceeds from draw down of borrowings		**444,465**	486,763
Repayments of borrowings		**(352,687)**	(382,579)
Interest paid		**(37,295)**	(32,213)
Principal elements of lease payments		**(25,452)**	(26,556)
Proceeds from share options exercised		**–**	88
Contributions from non-controlling interests		**–**	5,219
Payments of financing fee and deposits		**(7,480)**	(7,480)
Net cash generated from financing activities		**21,551**	43,242
Net increase/(decrease) in cash and cash equivalents		**42,494**	(250,888)
Cash and cash equivalents at beginning of the year		**321,618**	588,365
Effects of exchange rate changes on cash and cash equivalents		**(4,697)**	(15,859)
Cash and cash equivalents at end of the year		**359,415**	321,618

The accompanying notes on pages 99 to 184 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

The Company's shares have been listed on the Main Board of The 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 24 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are prepared for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO

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

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 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.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

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

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.

2.1.4 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on its foreseeable future transactions.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.3 below), after initially being recognised at cost.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

2.2.3 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, vice presidents and directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is United States Dollar ("USD") and the consolidated financial statements are presented in RMB, which is the Group's presentation currency. The presentation currency differs from Company's functional currency as management rely on management accounts prepared in RMB for review of historical performance and decision making.

(b) 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 income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income 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
- currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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. Currency translation differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Construction-in-progress is stated at cost, including the costs of construction, machinery and other expenditures for the purpose of preparing the construction-in-progress for its intended use and borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction-in-progress is not depreciated until the asset is completed and ready for its intended use.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

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 costs are charged to the income statement during the financial period in which they are incurred.

	Estimated useful life
Buildings	10 to 20 years
Machinery and equipment	5 to 10 years
Motor vehicles	5 to 7 years
Furniture, fixtures and others	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting 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 (Note 2.9).

2.8 Intangible assets

(a) Computer softwares

Acquired computer software is 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, ranging from 3 to 5 years.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(b) Technology

Technology assets were generated from the Group's research and development activities. Only development costs that are directly attributable to the design, development and application of technology are recognised as intangible assets when the following criteria are met:

- 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 and 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.

Development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

(c) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The Group amortises those intangible assets with a limited useful life using the straight-line method over 20 years.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 Company or the counterparty.

2.12 Inventories

Inventories primarily consist of project materials, consumables and project-in-progress for the provision of oilfield services and sales. 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 project materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Share capital is 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.

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date 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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.20 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Post-employment obligations

The Group operates various post-employment schemes, including defined contribution pension plans.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(b) Post-employment obligations (continued)

(i) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Employees of entities located in countries other than PRC are covered by other defined-contribution pension plans sponsored by respective governments.

(ii) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity 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:

- including any market performance conditions(for example, an entity's share price);
- 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 (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service 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 performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The corresponding amount accounted for as "Other reserve" when recognising the share-based compensation are reclassified to share premium as well.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(c) Share-based compensation (continued)

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.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Provision of services

The Group provides well drilling services, well completion services and reservoir services to its customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the workload confirmed by customers relative to total expected workload.

Some service contracts include delivery of goods by the Group to the customer during the provision of service. It is accounted for as a separate performance obligation and the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. If contracts include the delivery of goods, revenue for the goods is recognised at a point in time when the goods is delivered and the customer has accepted the goods. If the payments exceed the goods transferred, a contract liability is recognised.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

(a) Provision of services (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to receive payment. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(b) Sales of goods

Revenue associated with sales of pressure gauges, packers and other goods is recognised when control of the goods has been transferred, being when the goods are delivered to the customer, the customer has full discretion over the use or sale of the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Customer deposit received in relation to sales of goods are recognised as contract liabilities.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 24 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.23 Dividend income

Dividends are recognised in profit or loss when the right to receive payment is established.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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 may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- makes adjustments specific to the lease, eg term, country, currency and security

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets, include land use rights, are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some machinery and equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Taxation

A lessee normally recognises an asset and a lease liability when it enters into most leases under IFRS 16. The Group considers the lease as a single transaction in which the asset and liability are integrally linked, so there is no net temporary difference at inception. Subsequently, as differences arise on settlement of the liability and the amortisation of the leased asset, there will be a net temporary difference on which deferred tax is recognised.

2.25 Dividend distribution

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC, Kazakhstan, Turkmanistan, Singapore, Canada and Indonesia with most of the transactions denominated and settled in RMB, American Dollar ("USD"), Singapore Dollar ("SGD") and Canadian Dollar ("CAD") respectively. Certain sales to and purchases from overseas are denominated in USD. Foreign exchange risk also arises from borrowings comprising bank borrowings and certain bank deposits denominated in foreign currencies. The Group is exposed to foreign currency exchange risk primarily with respect to USD, the Company's functional currency.

During the financial year, the Group has not used any financial instrument to hedge the foreign exchange risk.

The Group is primarily exposed to changes in USD/RMB exchange rates.

At 31 December 2021, if RMB had weakened/strengthened by certain percentage against the USD with all other variables held constant the assumed changes of the exchange rates would have the following impact on the Group's foreign exchange gains/(losses) accounts.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Pre-tax profits increase/(decrease) during the financial year:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB against USD		
– Weakened 5%	**20,226**	23,481
– Strengthened 5%	**(20,226)**	(23,481)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2021		31 December 2020	
	USD	**Others**	USD	Others
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash	**66,724**	**3,816**	76,088	8,303
Trade receivables	**63,604**	**834**	64,661	562
Other receivables	**11,216**	**1,477**	12,312	1,473
Trade payables	**(18,281)**	**(489)**	(27,336)	(204)
Other payables	**(5,687)**	**(2,607)**	(3,302)	(3,822)
Borrowings	**(8,607)**	**(4,173)**	–	(4,962)

(ii) Cash flow and fair value interest rate risk

Other than cash and cash equivalents and restricted bank deposits, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk exposure arises primarily from its long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

As at 31 December 2021, if interest rates on floating interest borrowings at that date had been higher/lower 100 basis points (31 December 2020: 100 basis points), profit before income tax for the year would have been RMB39,000 (2020: RMB48,000) lower/higher.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk Management

Credit risk is managed on a group basis. The carrying amounts of cash and cash equivalents, restricted bank deposits, accounts receivables and notes receivables and other receivables (other than prepayments) included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has concentrations of credit risk on trade receivables. Sales to China National Petroleum Corporation ("CNPC"), a PRC state-owned enterprise with a high credit rating, along with its related entities, represented approximately 72.3% of the Group's revenue for the year (2020: 77.9%). The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's credit sales are only made to customers with appropriate credit history, with a credit period of six months in general. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provisions for unrecoverable accounts receivable have been made.

The Group's cash and cash equivalents and restricted bank deposits were primarily deposited in major banks in the PRC, Kazakhstan, Canada and Singapore, which the directors of the Company believe are of good credit quality. The Group's cash and cash equivalents and restricted bank deposits are set out below:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
PRC – State owned listed banks	**55,403**	59,666
PRC – Other listed banks	**182,209**	150,136
Kazakhstan government-owned banks	**75,966**	60,846
Singapore listed banks	**33,223**	35,498
Canada listed banks	**24,078**	24,537
Other listed banks	**15,117**	14,337
Others	**2,853**	3,935
Total	**388,849**	348,955

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets and contract assets

The Group has the following financial assets and contract assets that are subject to IFRS 9's expected credit loss model:

(1) Cash and cash equivalents and restricted bank deposits

The Group's cash and cash equivalents and restricted bank deposits are also subject to the impairment requirements of IFRS 9, but the identified impairment loss was not material.

(2) Trade and note receivables and contract assets relating to service contracts

Note receivables

Based on management's assessment by taking into account default history and forward looking factors, the expected credit loss for notes receivable is not material. Therefore no provisions for impairment are recognised for note receivables under IFRS 9.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets and contract assets (continued)

(2) Trade and note receivables and contract assets relating to service contracts (continued)

Trade receivables and contract assets (continued)

On that basis, the loss allowances for both trade receivables and contract assets are as follows:

31 December 2021	**Up to 6 months**	**6 months-1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Expected loss rate	**0.10%**	**0.90%**	**6.48%**	**20.85%**	**88.29%**	
Gross carrying amount	**747,165**	**50,043**	**43,816**	**109,117**	**95,518**	**1,045,659**
Loss allowance	**747**	**450**	**2,839**	**22,751**	**84,333**	**111,120**

31 December 2020	Up to 6 months	6 months-1 year	1-2 years	2-3 years	Over 3 years	Total
Expected loss rate	0.10%	0.89%	6.48%	20.09%	92.85%	
Gross carrying amount	533,417	85,351	280,870	15,465	91,402	1,006,505
Loss allowance	533	760	18,200	3,107	84,867	107,467

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets and contract assets (continued)

(2) Trade and note receivables and contract assets relating to service contracts (continued)

Trade receivables and contract assets (continued)

The closing loss allowances for trade receivables and contract assets reconcile to the opening loss allowances are as follows:

	Contract assets		Trade receivables	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss allowances				
As at 1 January	**1,325**	1,809	**106,142**	88,607
Provision for impairment	**–**	–	**11,426**	24,462
Reversal	**(584)**	(484)	**(631)**	(4,416)
Receivables written off during the year as uncollectible	**–**	–	**(5,966)**	–
Exchange difference	**–**	–	**(592)**	(2,511)
As at 31 December	**741**	1,325	**110,379**	106,142

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. No indicators show that there is reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets and contract assets (continued)

(3) Other receivables

Other receivables primarily include cash advances to the employees, tender guarantee and rental deposits

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The closing loss allowances for other receivables reconcile to the opening loss allowances as follows:

	Other receivables	
	2021	2020
	RMB'000	*RMB'000*
Loss allowance		
As at 1 January	**5,274**	3,762
Provision for impairment	**435**	3,831
Receivables written off during the year as uncollectible	**(1,942)**	(2,088)
Reversal	**(364)**	–
Exchange difference	**(33)**	(231)
As at 31 December	**3,370**	5,274

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Net impairment losses on financial and contract assets recognised in profit or loss

The following losses were recognised in profit or loss in relation to financial and contract assets:

	2021 RMB'000	2020 RMB'000
Impairment losses on trade receivables and contract assets	**11,426**	24,462
Impairment losses on other receivables	**435**	3,831
Reversal	**(1,579)**	(4,900)
Net impairment losses on financial and contract assets	**10,282**	23,393

(c) Liquidity risk

Cash flow forecast is performed by group finance department who monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecast takes into consideration the Group's debt financing plans, and legal requirements such as currency restrictions.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount liabilities *RMB'000*
As at 31 December 2021						
Borrowings	**363,377**	**222,292**	**7,442**	**65**	**593,176**	**577,891**
Trade and note payables	**673,355**	**–**	**–**	**–**	**673,355**	**673,355**
Accruals and other payables	**46,533**	**–**	**–**	**–**	**46,533**	**46,533**
Lease liabilities	**32,638**	**13,263**	**15,875**	**11,329**	**73,105**	**63,999**
Total	**1,115,903**	**235,555**	**23,317**	**11,394**	**1,386,169**	**1,361,778**
As at 31 December 2020						
Borrowings	273,857	124,302	116,757	870	515,786	491,343
Trade and note payables	697,413	–	–	–	697,413	697,413
Accruals and other payables	47,846	–	–	–	47,846	47,846
Lease liabilities	20,078	19,777	19,737	14,681	74,273	64,864
Total	1,039,194	144,079	136,494	15,551	1,335,318	1,301,466

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as gross debt divided by total equity. Gross debt include 'borrowings', 'current portion of long-term borrowings', current and non-current lease liabilities as shown in the consolidated balance sheet.

The gearing ratios are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Gross debt	**641,890**	556,207
Total equity	**1,205,640**	1,231,371
Gross debt to equity ratio	**53.2%**	45.2%

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2021	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets at FVOCI				
– Equity securities	**11,688**	**–**	**–**	**11,688**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of property, plant and equipment, right-of-use assets, and other non-current assets

As set out in Note 2.9, property, plant and equipment, right-of-use assets and other non-current assets should be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use and fair value less cost of disposal. These calculations require the use of estimates and assumptions. If future events do not correspond to such assumptions, the value in use amount will need to be revised. This may have an impact on the Group's results of operation and financial information.

(b) Impairment of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and result in write-downs of inventories in the period in which estimate has been changed.

(c) Impairment of financial assets and contract assets

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the loss allowances for financial assets and contract assets are set out in Note 3(b)(ii)(iii).

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION

The 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 three reportable segments: drilling, well completion and reservoir. These reporting segments comprise respective services performed in these areas and related ancillary manufacturing activities.

(a) Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue		
Drilling	**567,631**	434,644
Well completion	**279,191**	294,837
Reservoir	**741,977**	559,786
	1,588,799	1,289,267

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(a) Revenue (continued)

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 RMB1,148,043,000(2020: RMB1,004,685,000) 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 2021 and 2020 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Total *RMB'000*
As at/year ended 31 December 2021				
Revenue from external customers	567,631	279,191	741,977	1,588,799
Time of revenue recognition				
– At a point in time	6,228	115,093	120,373	241,694
– Over time	561,403	164,098	621,604	1,347,105
EBITDA	76,580	40,810	111,056	228,446
Total assets	841,144	750,610	514,468	2,106,222
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred income tax assets)	23,327	7,495	9,433	40,255

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Total *RMB'000*
As at/year ended 31 December 2020				
Revenue from external customers	434,644	294,837	559,786	1,289,267
Time of revenue recognition				
– At a point in time	–	226,926	69,876	296,802
– Over time	434,644	67,911	489,910	992,465
EBITDA	(39,487)	47,129	76,413	84,055
Total assets	897,736	743,544	460,494	2,101,774
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred income tax assets)	27,055	47,025	23,865	97,945

A reconciliation of EBITDA to profit/(loss) before income tax is provided as follows:

	Year ended 31 December 2021 *RMB'000*	2020 *RMB'000*
EBITDA for reportable segments	**228,446**	84,055
Unallocated expenses		
– Share-based payments	**(2,289)**	(7,420)
– Other gains, net	**4,895**	25,550
– Unallocated overhead expenses	**(101,947)**	(90,682)
	(99,341)	(72,552)
	129,105	11,503
Depreciation and amortisation	**(75,237)**	(75,756)
Finance costs	**(42,714)**	(37,487)
Finance income	**721**	892
Profit/(loss) before income tax	**11,875**	(100,848)

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Segment assets for reportable segments	**2,106,222**	2,101,774
Unallocated assets		
– Deferred income tax assets	**116,674**	117,707
– Unallocated inventories	**43,148**	16,185
– Unallocated prepayment and other receivables	**117,268**	99,984
– Restricted bank deposits	**29,434**	27,337
– Cash and cash equivalents	**359,415**	321,618
– Financial assets at fair value through other comprehensive income	**11,688**	15,718
– Investments in associates	**2,840**	4,018
	680,467	602,567
Total assets per balance sheet	**2,786,689**	2,704,341

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
PRC	**1,060,850**	848,844
Kazakhstan	**297,325**	225,248
Turkmenistan	**86,383**	98,132
Canada	**45,312**	58,326
Indonesia	**43,321**	34,341
Middle East	**30,812**	24,195
Others	**24,796**	181
	1,588,799	1,289,267

The following table shows the non-current assets other than deposits and other receivables, investments in associates, 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	
	2021	2020
	RMB'000	*RMB'000*
PRC	**308,643**	366,477
Kazakhstan	**55,242**	52,011
Middle East	**54,465**	37,965
Turkmenistan	**19,045**	25,436
Singapore	**18,950**	20,201
Canada	**7,291**	7,099
Indonesia	**438**	1,305
Others	**50,678**	29,840
	514,752	540,334

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(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	
	2021	2020
	RMB'000	*RMB'000*
Current contract assets	**30,837**	23,136
Loss allowance	**(741)**	(1,325)
Total contract assets	**30,096**	21,811
Current contract liabilities	**44,776**	7,266
Total contract liabilities	**44,776**	7,266

(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	
	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Drilling	**82**	–
– Well completion	**1,802**	501
– Reservoir	**1,774**	169
Total	**3,658**	670

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

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

(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	
	2021	2020
	RMB'000	*RMB'000*
Within one year	**610,471**	889,997
More than one year but not more than two years	**339,386**	81,392
More than two years	**103,809**	48,370
Total	**1,053,666**	1,019,759

All other service contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15 Revenue from Contracts with Customers, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in process *RMB'000*	Total *RMB'000*
Year ended 31 December 2020						
Opening net book value	93,843	286,446	3,053	9,898	9,987	403,227
Additions	4,356	22,257	3,833	7,104	44,261	81,811
Acquisition of a subsidiary (Note 31)	152	86	188	35	–	461
Depreciation charge	(7,385)	(36,441)	(2,503)	(7,374)	–	(53,703)
Disposals	(1,160)	(2,532)	(167)	(117)	–	(3,976)
Exchange differences	(703)	(14,099)	488	816	(2,068)	(15,566)
Closing net book value	89,103	255,717	4,892	10,362	52,180	412,254
At 31 December 2020						
Cost	150,857	620,431	55,694	106,816	52,180	985,978
Accumulated depreciation and impairment	(61,754)	(364,714)	(50,802)	(96,454)	–	(573,724)
Net book value	89,103	255,717	4,892	10,362	52,180	412,254
Year ended 31 December 2021						
Opening net book value	**89,103**	**255,717**	**4,892**	**10,362**	**52,180**	**412,254**
Additions	**5,602**	**5,750**	**6,622**	**11,627**	**19,895**	**49,496**
Depreciation charge	**(7,529)**	**(34,929)**	**(3,205)**	**(6,068)**	**–**	**(51,731)**
Disposals	**(697)**	**(1,646)**	**(371)**	**(3,631)**	**–**	**(6,345)**
Transfer upon completion	**13,227**	**39,038**	**–**	**–**	**(52,265)**	**–**
Exchange differences	**789**	**(7,102)**	**2,870**	**2,302**	**–**	**(1,141)**
Closing net book value	**100,495**	**256,828**	**10,808**	**14,592**	**19,810**	**402,533**
At 31 December 2021						
Cost	**167,856**	**645,969**	**61,033**	**113,511**	**19,810**	**1,008,179**
Accumulated depreciation and impairment	**(67,361)**	**(389,141)**	**(50,225)**	**(98,919)**	**–**	**(605,646)**
Net book value	**100,495**	**256,828**	**10,808**	**14,592**	**19,810**	**402,533**

Notes:

(a) For the year ended 31 December 2021, depreciation expenses amounting to RMB51,731,000 (2020: RMB53,703,000) have been charged in operating costs.

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(b) Certain property, plant and equipment have been secured for the Group's borrowings, details of which have been set out in Note 17(c).

(c) As at 31 December 2021, the Group's machinery and equipment in the PRC region amounted to approximately RMB215 million(2020: RMB217 million).

7. LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Right-of-use assets		
Buildings	**38,893**	50,158
Land use rights		
– Located in the PRC*	**19,345**	19,828
– Outside of the PRC	**8,098**	14,512
Machinery and equipment	**22,888**	6,724
Vehicle	**1,507**	5,827
	90,731	97,049
Lease liabilities		
Current lease liabilities	**28,192**	18,204
Non-current lease liabilities	**35,807**	46,660
	63,999	64,864

* The Group's land use rights primarily represent lease prepayments for the leasehold land in the PRC for a period of 50 years. As at 31 December 2021, land use rights have a remaining period of 41 years.

During the year, additions to the right-of-use assets were RMB24,725,000 (2020: RMB24,173,000).

7. LEASES (CONTINUED)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2021 *RMB'000*	2020 *RMB'000*
Depreciation charge of right-of-use assets			
Buildings		**13,557**	15,228
Land use rights		**726**	550
Machinery and equipment		**12,462**	8,495
Vehicle		**1,507**	2,160
	23	**28,252**	26,433
Interest expense (included in finance cost)	*24*	**3,519**	3,991
Expense relating to short-term leases		**94,039**	74,407
Expense relating to leases of low-value assets that are not shown above as short-term leases		**16**	64

(iii) The cash outflow shows the following amounts relating to leases:

	2021 *RMB'000*	2020 *RMB'000*
Payments of principal elements of lease	**25,452**	26,556
Payments of interest expense of lease	**3,519**	3,991
Payments of short-term and low-value lease	**94,055**	74,471
	123,026	105,018

(a) The Group's leasing activities

The Group leases various buildings, land use rights, machinery and equipment. Rental contracts are typically made for fixed periods as stated below.

Buildings	2 to 20 years
Land use rights	30 to 50 years
Machinery and equipment	2 to 5 years

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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 may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS

Intangible assets comprise technology, computer software and license. The details are as follows:

	Technology	Computer software	License*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Opening net book value	3,236	714	–	3,950
Additions	–	2,344	–	2,344
Amortisation charge	(2,837)	(111)	–	(2,948)
Exchange differences	(40)	–	–	(40)
Closing net book value	359	2,947	–	3,306
At 31 December 2020				
Cost	17,262	6,888	–	24,150
Accumulated amortisation and impairment	(16,903)	(3,941)	–	(20,844)
Net book value	359	2,947	–	3,306
Year ended 31 December 2021				
Opening net book value	**359**	**2,947**	**–**	**3,306**
Additions	**–**	**304**	**–**	**304**
Acquisition of a subsidiary (Note 31)	**–**	**45**	**15,114**	**15,159**
Amortisation charge	**(159)**	**(1,017)**	**(189)**	**(1,365)**
Exchange differences	**(20)**	**–**	**–**	**(20)**
Closing net book value	**180**	**2,279**	**14,925**	**17,384**
At 31 December 2021				
Cost	**17,241**	**7,238**	**15,114**	**39,593**
Accumulated amortisation and impairment	**(17,061)**	**(4,959)**	**(189)**	**(22,209)**
Net book value	**180**	**2,279**	**14,925**	**17,384**

* This represents license rights for sales of natural gas in certain parts of the PRC.

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES

(a) Subsidiaries

The following is a list of the principal subsidiaries of the Group at 31 December 2021:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.)	PRC, Limited liability entity*	Oil field services, PRC	RMB353,790,000	**98.59%**	98.59%	**1.41%**	1.41%
北京華油先鋒石油裝備技術有限公司 (Pioneer Sinopetroleum Equipment Inc.)	PRC, Limited liability entity	Manufacturing, PRC	RMB10,000,000	**95%**	95%	**5%**	5%
北京華油環保工程科技有限公司 (Sinopetroleum Engineering Technology Co., Ltd.)	PRC, Limited liability entity	Trading, PRC	RMB15,600,000	**95%**	95%	**5%**	5%
廊坊華油能源技術服務有限公司 (Langfang SPT Energy Limited)	PRC, Limited liability entity **	Trading, PRC	USD1,000,000	**100%**	100%	**-**	–
諾斯石油工具(天津)有限公司 (North Resource Oil Tools Limited)	PRC, Limited liability entity **	Manufacturing, PRC	USD36,265,000	**100%**	100%	**-**	–
新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB149,142,404	**100%**	100%	**-**	–
新疆華油能源工程服務有限公司 (Xinjiang SPT Engineering Service Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB65,000,000	**100%**	100%	**-**	–
德威興業(北京)油氣技術服務有限公司 (De Wei Oil & Gas Technologies Services Co., Ltd.)	PRC, Limited liability entity **	Oil field services and trading, PRC	RMB10,000,000	**100%**	100%	**-**	–

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Subsidiaries (continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2021: (continued)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
新疆華油新海石油工程技術有限公司 (Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB36,000,000	100%	100%	–	–
M-Tech Service Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT87,200	100%	100%	–	–
CNEC Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT150,000	100%	100%	–	–
FD Services Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT110,000	100%	100%	–	–
OS Services (Kazakhstan) Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%	100%	–	–
Dowell LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT500,000	100%	100%	–	–
MGD Services LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%	100%	–	–
HY Oil Technology Service LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%	100%	–	–

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Subsidiaries (continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2021: (continued)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
NE TKM Hyzmat Limited	Turkmenistan, Limited liability entity	Oil field services, Turkmenistan	Manats142,500	100%	100%	-	–
Pioneer Petrotech Services Inc.	Canada, Limited liability entity	Manufacturing, Canada	CAD15	100%	100%	-	–
Enecal Canada Corporation	Canada, Limited liability entity	Trading, Canada	CAD86	100%	100%	-	–
SPT Energy (Hong Kong) Ltd.	Hong Kong, Limited liability entity	Investment holding, Hong Kong	HKD1,000,000	100%	100%	-	–
SPT Oil Field Service Inc. Limited	Hong Kong, Limited liability entity	Trading, Hong Kong	HKD100,000	100%	100%	-	–
PT.Enecal Indonesia	Indonesia, Limited liability entity	Oil field services, Indonesia	USD1,000,000	95%	95%	5%	5%
Enecal PTE. Limited (i)	Manufacturing, Singapore	Manufacturing, Singapore	SGD3,550,000	63.2%	63.2%	36.8%	36.8%
重慶華油能源技術服務有限公司 (Chongqing Huayou Energy Technology Services Co.Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB50,000,000	100%	100%	-	–
陝西華油能源技術服務有限公司 (Shanxi Huayou Energy Technology Services Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB50,000,000	100%	100%	-	–

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Subsidiaries (continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2021: (continued)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
北京華開新科能源技術服務有限公司 (Beijing Huakai New Energy Technology Service Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB3,000,000	51%	51%	49%	49%
北京華油能源技術服務有限公司 (Beijing Huayou Energy Technology Services Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	USD48,000,000	100%	100%	-	–
SPT Energy PTE. Ltd.	Singapore, Limited liability entity	Oil field services, Singapore	SGD500,000	100%	100%	-	–
Petroleum Services Global DMCC	UAE, Limited liability entity	Oil field services, UAE	AED100,000	100%	100%	-	–
UU Energy Services Corporation	USA, Limited liability entity	Oil field services, USA	USD1,000,000	100%	100%	-	–
成都昌匯能源技術服務有限公司 (Chengdu Changhui Energy Technology Service Co., Ltd.)	PRC, Limited liability entity	Technology promotion and application services, PRC	RMB50,000,000	100%	100%	-	–
華油投資控股(深圳)有限公司 (Huayou Investment Holdings (Shenzhen) Co., Ltd.)	PRC, Limited liability entity	Investment holding, PRC	RMB100,000,000	100%	100%	-	–
Sinostone Bioethanol Manufacturing Limited	Ghana, Limited liability entity	Manufacturing, Ghana	GHS12,000,000	60%	51%	40%	49%
Sinopetroleum Technology (Uganda)-SMC Limited	Uganda, Limited liability entity	Oil field services, Uganda	UGX10,000,000	100%	100%	-	–

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Subsidiaries (continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2021: (continued)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Cornerstone Business PTE. Ltd	Singapore,Limited liability entity	Trading, Singapore	SGD3,600,000	75%	75%	25%	25%
成都廣新石油技術股份有限公司 (Chengdu Guangxin Petroleum Technology Co., Ltd.)	PRC, Other joint stock limited companies	Oil field services, PRC	RMB50,000,000	51%	51%	49%	49%
新疆浩宸翰海商貿有限公司 (Xinjiang HaoChen Hanhai Trading Co., Ltd)	PRC, Limited liability entity	Trading, PRC	RMB10,000,000	100%	100%	-	–
Constant Asia Pacific Holding Pte. Ltd	Singapore, Limited liability entity	Oil field services, Singapore	USD100,000	100%	100%	-	–
Sinostone Farming Limited	Ghana,Private Limited	Farming, Ghana	GHS3,000,000	100%	100%	-	–
和田聚力燃氣工程有限公司 Hotan Juli Gas Engineering Co., Ltd.	PRC, Limited liability entity	Gas operation and services, PRC	RMB5,148,360	100%	–	-	–
Sinopetroleum Technology Niger Limited	Niger, Limited liability entity	Oil field services, Niger	XOF1,000,000	100%	–	-	–
新疆能源(集團)華油技術服務有限公司 Xinjiang Energy (Group) Huayou Technology Service Co. Ltd	PRC, Limited liability entity	Oil field services, PRC	RMB50,000,000	100%	49%	-	–

* Registered as sino-foreign equity joint venture under the PRC law
** Registered as wholly foreign owned enterprises under the PRC law

The English names represent the best effort by management of the Group in translating the Chinese names of the companies as they do not have official English names.

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Subsidiaries (continued)

Notes:

(i) The issued share capital includes preference shares totalling to SGD 3,200,000 (equivalent to RMB16,302,000) (2020: SGD 3,200,000 (equivalent to RMB16,302,000)), held by the Controlling Shareholders and other two holders of preference shares ("Preference Shareholders") of Enecal PTE. Limited. The Preference Shareholders have neither dividends rights (unless the distributable profits of Enecal Pte. Limited available for distribution as dividends for a financial year exceed SGD 10 billion) nor voting rights (save and except for matters specifically set out in the Singapore Companies Act which principally including (i) any resolution which varies the rights attached to the preference shares; or (ii) any resolution for the winding up of the company). Hence, the Group consolidated 100% profit of Enecal Pte. Limited while the amount received for the preferred shares are reflected as "Non-controlling interests".

(ii) Material non-controlling interests

As at 31 December 2021, the non-controlling interests in respect of subsidiaries were not material.

(b) Associates

The following is a list of the associates of the Group at 31 December 2021:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest held by the Group		Measurement method
			2021	2020	
新疆博塔油田技術服務有限公司 (Xinjiang Bota Oilfield Technology Service Co. Ltd)	PRC, Limited liability entity	Oil field services, PRC	**24%**	24%	Equity method
大連施普瑞克能源新材料有限公司 (Dalian Shiprick Energy New Material Co. Ltd.)	PRC, Limited liability entity	Oil field services, PRC	**5%**	5%	Equity method

10. INVENTORIES

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Project materials and consumables	**492,762**	449,090
Project-in-progress	**91,817**	57,941
	584,579	507,031
Less: provision for inventories	**(77,299)**	(70,631)
	507,280	436,400

Notes to the Consolidated Financial Statements

10. INVENTORIES (CONTINUED)

The cost of inventories recognised as an expense and included in "operating costs" amounted to RMB354,883,000 (2020: RMB277,825,000).

Movements of provision for inventories are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**(70,631)**	(49,805)
Provision	**(10,252)**	(24,162)
Written off	**2,915**	836
Exchange difference	**669**	2,500
As at 31 December	**(77,299)**	(70,631)

Note:

(a) The written off of provision for inventories was primarily due to the disposal of raw materials.

11. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables (a)	**1,014,822**	983,369
Less: loss allowance	**(110,379)**	(106,142)
Trade receivables-net	**904,443**	877,227
Note receivables (a)	**94,804**	157,032
	999,247	1,034,259

Notes to the Consolidated Financial Statements

11. TRADE AND NOTE RECEIVABLES (CONTINUED)

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 details of trade and note receivables based on invoice date were as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**821,048**	678,155
6 months – 1 year	**44,183**	82,939
1 – 2 years	**41,653**	277,340
2 – 3 years	**107,475**	10,712
Over 3 years	**95,267**	91,255
Trade and note receivables, gross	**1,109,626**	1,140,401
Less: loss allowance	**(110,379)**	(106,142)
Trade and note receivables, net	**999,247**	1,034,259

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Details of the loss allowances of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk are set out in Note 3.1(b)(ii).

(d) Certain trade and note receivables have been pledged for the Group's bank borrowings, details of which have been set out in Note 17(a)(i), (d)(i).

Notes to the Consolidated Financial Statements

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current		
Advances to suppliers	**109,077**	102,333
Prepayment for taxes	**38,694**	21,668
Less: loss allowance	**(4,661)**	(4,772)
Total non-financial assets	**143,110**	119,229
Deposits and other receivables (a)	**74,289**	69,950
Less: loss allowance	**(3,370)**	(5,274)
Total financial assets	**70,919**	64,676
	214,029	183,905
Non-current		
Prepayment for equipment and machinery	**4,104**	27,725
Deposits and other receivables	**1,234**	1,234
Total non-financial assets	**5,338**	28,959
Total	**219,367**	212,864

Notes:

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

Notes to the Consolidated Financial Statements

13. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Restricted bank deposits (a)	**29,434**	27,337
Cash and cash equivalent		
– Cash on hand	**2,800**	2,212
– Deposits in banks	**356,615**	319,406
	359,415	321,618
	388,849	348,955

Note:

(a) As at 31 December 2021 and 2020, the restricted bank deposits were held as securities for tendering oil service projects, which will be released upon completion of the tender.

14. SHARE CAPITAL

	Number of shares ***(Thousands)***	**Share capital** ***RMB'000***
Authorised:		
Ordinary shares of USD0.0001 each as at 31 December 2020 and 2021	5,000,000	3,219

	Number of shares ***(Thousands)***	**Share capital** ***RMB'000***
Issued and fully paid:		
Ordinary shares of USD0.0001 each		
As at 31 December 2019	1,853,576	1,178
Add:		
Share options exercised (Note 16 (b))	200	–
As at 31 December 2020 and 2021	1,853,776	1,178

15. SHARE PREMIUM

	2021 RMB'000	2020 RMB'000
As at 1 January	**848,026**	847,899
Share options exercised (Note 16 (b))	**–**	127
As at 31 December	**848,026**	848,026

16. OTHER RESERVES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Merger reserves (a)	**(148,895)**	(148,895)
Share-based payments (b)	**202,192**	199,903
Statutory reserves (c)	**79,024**	74,372
Capital reserves	**208,419**	208,896
Changes in fair value of equity investments at fair value through other comprehensive income	**(7,928)**	(3,898)
	332,812	330,378

Notes:

(a) Merger reserves

The merger reserves represented the aggregate of consideration paid for the acquisitions of subsidiaries under common control pursuant to the reorganization of the Group which was completed on 14 February 2011 for the purpose of listing on the Stock Exchange on 23 December 2011.

Notes to the Consolidated Financial Statements

16. OTHER RESERVES (CONTINUED)

Notes: (continued)

(b) Share-based payments

The Group adopted a share option scheme on 1 December 2011. The Group will continue to consider granting share options to eligible persons in accordance with the share option scheme to better achieve long-term talent incentives.

These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The numbers of the share options granted at the grant date and the exercisable share options as at 31 December 2021 and 2020 are as below:

Grant Date	**Expiry date**	**Exercise price** *HKD*	**The granted share option number** *(Thousands)*	**Exercisable share options 31 December 2021** ***(Thousands)***	Exercisable share options 31 December 2020 *(Thousands)*
20 February 2012	19 February 2022	1.29	26,500	**5,764**	6,432
29 March 2012	28 March 2022	1.36	7,300	**2,333**	5,083
13 June 2013	12 June 2023	4.69	67,450	**32,270**	35,900
31 August 2016	30 August 2026	0.49	130,000	**99,768**	104,684
26 September 2018	25 September 2028	0.74	60,000	**58,300**	20,000
6 December 2018	5 December 2028	0.53	37,000	**37,000**	12,333
Total		1.16	328,250	**235,435**	184,432
Weighted average remaining contractual life of options outstanding at end of years				**4.92 years**	5.11 years

Notes to the Consolidated Financial Statements

16. OTHER RESERVES (CONTINUED)

Notes: (continued)

(b) Share-based payments (continued)

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

	2021		2020	
	Average exercise price per share options *HKD*	**Number of share options *(Thousands)***	Average exercise price per share options *HKD*	Number of share options *(Thousands)*
As at 1 January	**1.20**	**248,599**	1.22	250,989
Forfeited	**1.89**	**(13,164)**	3.41	(2,190)
Exercised	**–**	**–**	0.49	(200)
As at 31 December	**1.16**	**235,435**	1.20	248,599
Vested and exercisable as at 31 December	**1.16**	**235,435**	1.39	184,432

(c) Statutory reserves

	RMB'000
As at 31 December 2019	72,146
Appropriation	2,226
As at 31 December 2020	74,372
Appropriation	4,652
As at 31 December 2021	**79,024**

Subsidiaries incorporated 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 balance of such reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of registered capital after such usage. During the year, 10% of statutory net profit of each entity was appropriated to this reserve (2020: 10%). This reserve is non-distributable.

Notes to the Consolidated Financial Statements

17. BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Long-term borrowings:		
– Bank loans, secured (a)	**213,373**	240,757
– Bank loans, unsecured (b)	**300**	205
– Loans from a third party financial institution, secured (c)	**62,223**	57,381
– Loans from third parties, unsecured (d)	**9,092**	–
	284,988	298,343
less:		
Non-current portion of long-term borrowings:		
– Bank loans, secured (a)	**191,111**	211,475
– Bank loans, unsecured (b)	**300**	–
– Loans from a third party financial institution, secured (c)	**24,596**	21,602
– Loans from third parties, unsecured (d)	**9,092**	–
Non-current portion of long-term borrowings	**225,099**	233,077
Current portion of long-term borrowings	**59,889**	65,266
Short-term borrowings:		
– Bank loans, secured (e)	**232,903**	193,000
– Bank loans, unsecured (f)	**10,000**	–
– Loans from a third party financial institution, unsecured (g)	**50,000**	–
	292,903	193,000

Notes to the Consolidated Financial Statements

17. BORROWINGS (CONTINUED)

Notes:

(a) Long-term secured bank loans comprise:

(i) Loans totalling RMB209,500,000 (2020: RMB236,000,000) repayable by instalments from 2022 to 2023, bear interest at rates ranging from 6.0% to 6.60% (2020: 6.0% to 6.60%) per annum, and are secured against the right of collecting certain trade receivables under selected service contracts of respective borrower entity of the Group.

(ii) A loan of RMB3,873,000 (2020: RMB4,757,000) repayable by instalments by January 2026, bears interest at 3-month swap offer rate plus 3.50% (2020: 3-month swap offer rate plus 2.75%) per annum, and are secured against a right-of-use asset and a guarantee provided by the Company. During the year, the average interest rate was 3.93% (2020: 5.25%).

(b) As at 31 December 2021, the Group has an unsecured long-term loan of CAD60,000 (equivalent to approximately RMB300,000) (2020: CAD40,000, equivalent to approximately RMB205,000) through a bank pursuant to financial relief measures provided by the Government of Canada to support businesses impacted by COVID-19. The loan is fully repayable by 31 December 2025, bears no interest from the draw down date to 31 December 2022 and 5% per annum from 1 January 2023 to 31 December 2025.

(c) The Group's long-term secured loans from a third party financial institution are repayable from 2021 to 2024, bear interest at rates ranging from 6.20% to 6.60% (2020: 6.20% to 6.60%), and are secured against certain machinery with carrying amount of RMB93,051,000 (2020: RMB110,257,000) and a guarantee provided by a subsidiary of the Group.

(d) The Group's long-term unsecured loans from third parties are repayable from April to September 2023, bear interest at a rate of 15% per annum (2020: Nil).

(e) Short-term secured bank loans comprise:

(i) Loans totalling RMB207,903,000 (2020: RMB148,000,000) repayable by 2022, bear interest at rates ranging from 6.00% to 6.10% (2020: 6.00% to 6.20%) per annum, and are secured against the right of collecting certain trade receivables under selected service contracts of respective borrower entity of the Group.

(ii) Loans totalling RMB25,000,000 (2020: RMB45,000,000) repayable by December 2022, bear interest at rates ranging from 3.85% to 4.05% (2020: 3.60% to 4.77%) per annum, and are guaranteed by third party guarantee companies ("Guarantor"). Counter-guarantees have been provided to the Guarantor by a subsidiary of the Group through pledge of a land use right of RMB19,345,000 (2020: RMB19,828,000).

Notes to the Consolidated Financial Statements

17. BORROWINGS (CONTINUED)

Notes: (continued)

(f) The Group's short-term unsecured bank loans are repayable by December 2022, bears interest at a rate of 5.22% per annum.

(g) The Group's short-term unsecured loans from a third party institution are repayable by December 2022, bear interest at a rate of 5.85% per annum (2020: Nil).

(h) The Group's borrowings are denominated in:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**565,111**	486,381
USD	**8,607**	–
SGD	**3,873**	4,757
CAD	**300**	205
	577,891	491,343

18. TRADE AND NOTE PAYABLES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**427,445**	341,989
6 months to 1 year	**81,903**	112,272
1 – 2 years	**49,851**	146,560
2 – 3 years	**64,693**	34,039
Over 3 years	**49,463**	62,553
	673,355	697,413

The carrying amounts of trade and note payables are considered to be the same as their fair values.

Notes to the Consolidated Financial Statements

19. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest payable	**1,351**	576
Other payables	**45,182**	47,270
Total financial liabilities	**46,533**	47,846
Payroll and welfare payable	**63,845**	57,473
Taxes other than income taxes payable	**33,817**	19,979
Total non-financial liabilities	**97,662**	77,452
	144,195	125,298

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

20 DEFERRED INCOME TAXATION

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets:		
– To be recovered after more than 12 months	**90,504**	89,783
– To be recovered within 12 months	**26,170**	27,924
	116,674	117,707
Deferred income tax liabilities:		
– To be settled after 12 months	**(25,802)**	(21,991)
– To be settled within 12 months	**(189)**	–
	(25,991)	(21,991)
	90,683	95,716

Notes to the Consolidated Financial Statements

20 DEFERRED INCOME TAXATION (CONTINUED)

(a) The gross movement on the deferred income tax account is as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**95,716**	79,504
Credited to the income statement (Note 25)	**(310)**	18,212
Currency translation difference	**(944)**	(2,000)
Acquisition of a subsidiary (Note 31)	**(3,779)**	–
As at 31 December	**90,683**	95,716

(b) The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Impairment of assets RMB'000	Unrealised profit* RMB'000	Accrual expense RMB'000	Total RMB'000
As at 31 December 2019	37,435	30,137	26,576	6,848	100,996
Credited/(charged) to the income statement	15,566	7,108	(3,676)	(287)	18,711
Currency translation differences	–	(840)	(193)	(967)	(2,000)
As at 31 December 2020	53,001	36,405	22,707	5,594	117,707
(Charged)/credited to the income statement	(1,206)	460	952	(295)	(89)
Currency translation differences	–	(303)	(420)	(221)	(944)
As at 31 December 2021	**51,795**	**36,562**	**23,239**	**5,078**	**116,674**

* Deferred income tax assets in relation to unrealised profit mainly resulted from the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

Notes to the Consolidated Financial Statements

20 DEFERRED INCOME TAXATION (CONTINUED)

(b) The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (continued)

Deferred income tax liabilities

	Accelerated tax depreciation *RMB'000*	Withholding tax of the unremitted earnings of certain subsidiaries* *RMB'000*	Valuation surplus upon acquisition of a subsidiary *RMB'000*	Total *RMB'000*
As at 31 December 2019	–	21,492	–	21,492
Charged to the income statement	102	397	–	499
As at 31 December 2020	102	21,889	–	21,991
Charged/(credit) to the income statement	(14)	282	(47)	221
Acquisition of a subsidiary (Note 31)	–	–	3,779	3,779
As at 31 December 2021	**88**	**22,171**	**3,732**	**25,991**

* Deferred income tax liabilities in relation to unremitted earnings of certain subsidiaries resulted from certain subsidiaries' accumulated profit which are expected to be distributed as dividends in the future. Pursuant to the local tax regulations where such subsidiaries operate, when such subsidiaries declare or paid dividends, withholding tax will be imposed on these dividends.

(c) Details of unrecognised deferred income tax are as follows:

(i) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB142,178,000 as at 31 December 2021 (2020: RMB131,718,000), in respect of losses amounting to RMB691,362,000 (2020: RMB760,130,000) as at those dates, respectively, that can be carried forward against future taxable income and will expire between 2022 and 2031.

(ii) As at 31 December 2021, the Group did not recognise deferred income tax liabilities of RMB33,488,000 (2020: RMB33,223,000) relating to withholding tax of unremitted earnings of certain subsidiaries totalling approximately RMB 669,764,000 (2020: RMB 664,464,000) as such unremitted earnings are expected to be retained in the respective subsidiaries for their future investment and expansion activities.

Notes to the Consolidated Financial Statements

21. OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange gains	**1,701**	27,849
Others	**3,194**	(2,299)
	4,895	25,550

22. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and allowances	**432,607**	407,639
Housing benefits	**18,043**	17,060
Pension costs*	**69,400**	33,577
Share-based payments (Note 16)	**2,289**	7,420
Welfare and other expenses	**14,679**	11,207
	537,018	476,903

* There was no forfeited contribution during the years ended 31 December 2021 and 2020 and available for reducing the Group's contributions as at 31 December 2021 and 2020.

(a) Five highest paid individuals

	Year ended 31 December Number of individuals	
	2021	2020
Director	**2**	3
Non-director individual	**3**	2
	5	5

Notes to the Consolidated Financial Statements

22. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals (continued)

The aggregate amounts of emoluments paid and payable to the non-director individuals whose emoluments were the highest in the Group for the years are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries and other short-term benefits	**3,075**	1,176
Share-based payments	**806**	1,394
Retirement benefits and others	**295**	104
	4,176	2,674

The emoluments fell within the following bands:

	Year ended 31 December Number of individuals	
	2021	2020
Emolument band		
HKD500,001 to HKD1,000,000	**2**	2
HKD1,000,001 to HKD1,500,000	**1**	–
	3	2

Note: Non-cash share-based payments are not considered in the determination of the emolument bands.

Notes to the Consolidated Financial Statements

23. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Losses on disposal of property,plant and equipment	**1,201**	737
Sales tax and surcharges	**5,223**	5,555
Depreciation		
– Right-of-use assets (include land use rights) (Note 7)	**28,252**	26,433
– Property, plant and equipment (Note 6)	**45,620**	53,703
Amortisation of intangible assets (Note 8)	**1,365**	2,948
Auditor's remuneration		
– PricewaterhouseCoopers	**4,650**	4,650
– Others	**1,237**	1,151

24. FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**625**	813
Net foreign exchange gains on financing activities	**96**	79
Finance income	**721**	892
Interest expense:		
– Bank borrowings	**(28,094)**	(23,185)
– Interest paid of lease liabilities	**(3,519)**	(3,991)
– Bank charges and others	**(3,166)**	(2,881)
– Loans from third parties and third party financial institutions	**(7,935)**	(7,430)
Finance costs	**(42,714)**	(37,487)
Finance costs, net	**(41,993)**	(36,595)

Notes to the Consolidated Financial Statements

25. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax (a)	**7,378**	15,768
Deferred income tax	**310**	(18,212)
Income tax expense/(credit)	**7,688**	(2,444)

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 2021 and 2020, 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% (2020: 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 (2020: 20%).

(v) The corporate income tax rate for subsidiaries established in Canada is 25% (2020: 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.

Notes to the Consolidated Financial Statements

25. INCOME TAX EXPENSE (CONTINUED)

Notes: (continued)

(b) The income tax on the Group's profit/(loss) 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	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**11,875**	(100,848)
Tax calculated at domestic tax rates applicable in respective countries	**5,399**	(13,780)
Expenses not deductible for taxation purposes	**2,856**	3,525
Impact on share of results of investments accounted for using equity method	**(70)**	(22)
Utilisation of previously unrecognised tax losses	**(13,523)**	(8,960)
Losses not recognised as deferred income tax assets	**12,868**	17,823
Withholding tax relating to unremitted retained earnings	**282**	397
Additional tax deduction	**(124)**	(1,427)
Income tax expense/(credit)	**7,688**	(2,444)

26. DIVIDENDS

The Board did not propose a final dividend for the year ended 31 December 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

27. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) attributable to owners of the Company	**8,795**	(91,189)
Weighted average number of ordinary shares in issue (thousands)	**1,853,776**	1,853,773
Basic earnings/(losses) per share (RMB per share)	**0.005**	(0.049)

(b) Diluted

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

The share options in issue have not been included in the calculation of the diluted earnings per share as the exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the year ended 31 December 2021 and the diluted earnings per share is the same as the basic earning per share during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

28. CASH GENERATED FROM OPERATIONS

(a) Cash (used in)/generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the year before income tax	**11,875**	(100,848)
Adjustments for:		
Depreciation charge		
– Property, plant and equipment (Note 6, 23)	**45,620**	53,703
– Right-of-use assets (include land use rights) (Note 7, 23)	**28,252**	26,433
Amortisation (Note 8)	**1,365**	2,948
Losses on disposals, net (Note 23)	**1,201**	737
Impairment losses of inventories and prepayments	**10,141**	28,452
Net impairments losses of financial and contract assets	**10,282**	23,393
Net foreign exchange gains (Notes 21, 24)	**(1,797)**	(27,928)
Loss on disposal of an associate	**–**	842
Interest income (Note 24)	**(625)**	(813)
Interest expenses on borrowings and leases (Note 24)	**39,548**	34,606
Dividends received from an associate	**–**	(82)
Share-based payments (Note 22)	**2,289**	7,420
Share of net profit of associates accounted for using the equity method	**(470)**	(148)
Changes in working capital:		
Inventories	**(77,548)**	7,445
Trade and note receivables	**17,593**	98,226
Prepayments and other receivables	**833**	(76,354)
Trade and note payables	**(24,058)**	(212,987)
Accruals and other payables	**(36,932)**	(5,840)
Net cash generated from/(used in) operations	**27,569**	(140,795)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities on acquisition of right-of-use assets are set out in Note 7.

Notes to the Consolidated Financial Statements

28. CASH GENERATED FROM OPERATIONS (CONTINUED)

(c) Net debt reconciliation

(i) Analysis of net debt

	2021 ***RMB'000***	2020 *RMB'000*
Cash and cash equivalents	**359,415**	321,618
Borrowings-repayable within one year	**(352,792)**	(258,266)
Borrowings-repayable after one year	**(225,099)**	(233,077)
Lease liabilities	**(63,999)**	(64,864)
Net debt	**(282,475)**	(234,589)
Cash and liquid investments	**359,415**	321,618
Gross debt-fixed interest rates	**(638,017)**	(551,450)
Gross debt-variable interest rates	**(3,873)**	(4,757)
Net debt	**(282,475)**	(234,589)

Notes to the Consolidated Financial Statements

28. CASH GENERATED FROM OPERATIONS (CONTINUED)

(c) Net debt reconciliation (continued)

(ii) Movements in net debt

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowing due within 1 year	Borrowing due after 1 year	Lease	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2020	588,365	(344,842)	(47,403)	(69,545)	126,575
Cash flows	(250,888)	69,000	(173,184)	26,556	(328,516)
New leases	–	–	–	(23,655)	(23,655)
Foreign exchange adjustments	(15,859)	(79)	–	1,780	(14,158)
Other non-cash movements	–	17,655	(12,490)	–	5,165
Net debt as at 31 December 2020	321,618	(258,266)	(233,077)	(64,864)	(234,589)
Cash flows	42,494	(48,884)	(42,894)	25,452	(23,832)
New leases	–	–	–	(24,089)	(24,089)
Foreign exchange adjustments	(4,697)	(96)	–	(498)	(5,291)
Accrued interest expenses	–	(2,154)	–	–	(2,154)
Reclassification of amounts to current portion	–	(43,392)	43,392	–	–
Payments of financing fee and deposits	–	–	7,480	–	7,480
Net debt as at 31 December 2021	**359,415**	**(352,792)**	**(225,099)**	**(63,999)**	**(282,475)**

29. CONTINGENCIES

The Group has contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at 31 December 2021 and 2020, the Directors did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

Notes to the Consolidated Financial Statements

30. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment	**25,183**	30,908

(b) Operating lease commitments – where the Group is the lessee:

The Group leases various offices, warehouses and equipment under non-cancellable operating lease agreements in short terms. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
No later than 1 year	**42,551**	25,419

31. BUSINESS COMBINATION

(a) Summary of acquisition

On 15 October 2021, Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd. acquired 100% equity interest in Hotan Juli Gas Engineering Co., Ltd. ("Hotan Juli", 和田聚力燃氣工程有限公司) at a cash consideration of RMB4,080,000. Hotan Juli is principally engaged in sales of natural gas.

Details of the purchase consideration and the net assets acquired at the date of acquisition are as follows:

	RMB'000
Purchase consideration (refer to (b) below):	
Cash consideration payable*	4,080
Total purchase consideration	4,080

* In accordance with the relevant agreement, the consideration will be paid by the Group before 30 April 2022.

Notes to the Consolidated Financial Statements

31. BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value *RMB'000*
Cash and cash equivalents	7,411
Trade and notes receivable	5,481
Prepayments and other receivables	9,105
Property, plant and equipment (Note 6)	461
Intangible assets (Note 8)	15,159
Trade payables	(52)
Contract liabilities	(29,660)
Accruals and other payables	(46)
Deferred income tax liabilities (Note 20)	(3,779)
Net assets acquired	4,080

(b) Purchase consideration – cash flow

	2021 *RMB'000*	2020 *RMB'000*
Cash received from the acquisition of a subsidiary, net of consideration paid		
Cash consideration paid	**–**	–
Less: Balances acquired		
Cash and cash equivalents	**7,411**	–
Net of cash inflow – investing activities	**7,411**	–

Notes to the Consolidated Financial Statements

32. 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 and their close family member of the Group are also considered as related parties.

Other than those disclosed elsewhere in these financial statements, the following transactions were carried out with related parties for the year ended 31 December 2021 and 2020:

(a) Transactions with related parties

(i) Sales of services

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
An associate	**–**	19,677

(ii) Balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Receivables due from an associate	**–**	20,756

(b) Key management compensation

Key management includes directors and members of senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries and other short-term benefits	**11,924**	6,391
Share-based payments	**1,224**	3,666
Retirement benefits and others	**1,126**	696
	14,274	10,753

Notes to the Consolidated Financial Statements

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December 2021 *RMB'000*	 2020 *RMB'000*
Assets			
Non-current assets			
Interests in subsidiaries		**1,154,677**	1,171,416
Current assets			
Prepayments and other receivables		**443**	153
Cash and cash equivalents		**1,628**	628
Total assets		**1,156,748**	1,172,197
Equity and liabilities			
Share capital		**1,178**	1,178
Share premium		**848,026**	848,026
Other reserves	*Note (a)*	**415,091**	412,802
Currency translation differences		**8,260**	25,012
Accumulated losses	*Note (a)*	**(134,335)**	(133,771)
Total equity		**1,138,220**	1,153,247
Liabilities			
Non-Current liabilities		**–**	–
Current liabilities			
Accruals and other payables		**18,528**	18,950
Total liabilities		**18,528**	18,950
Total equity and liabilities		**1,156,748**	1,172,197

The balance sheet of the Company was approved by the Board of Directors on 24 March 2022 and was signed on its behalf.

Wang Guoqiang
Director

Ethan Wu
Director

Notes to the Consolidated Financial Statements

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

Note:

(a) Reserve movements of the Company

	Accumulated losses *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Total *RMB'000*
At 1 January 2020	(138,532)	847,899	405,421	75,816	1,190,604
Profit for the year	4,761	–	–	–	4,761
Currency translation differences	–	–	–	(50,804)	(50,804)
Share options exercised	–	127	(39)	–	88
Share-based payments	–	–	7,420	–	7,420
At 31 December 2020	(133,771)	848,026	412,802	25,012	1,152,069
At 1 January 2021	**(133,771)**	**848,026**	**412,802**	**25,012**	**1,152,069**
Loss for the year	**(564)**	**–**	**–**	**–**	**(564)**
Currency translation differences	**–**	**–**	**–**	**(16,752)**	**(16,752)**
Share-based payments	**–**	**–**	**2,289**	**–**	**2,289**
At 31 December 2021	**(134,335)**	**848,026**	**415,091**	**8,260**	**1,137,042**

Notes to the Consolidated Financial Statements

34. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2021 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 王國強(Mr. Wang Guoqiang) *(Chairman)*	–	2,049	–	46	6	2,101
Mr. 吳東方(Mr. Ethan Wu) *(Chief Executive officer)*	–	1,791	–	59	45	1,895
Mr. 李強(Mr. Li Qiang)	–	846	–	40	90	976
Non-executive Directors						
Ms. 陳春花(Ms. Chen Chunhua)	605	–	–	46	6	657
Mr. 武吉偉(Mr. Wu Jiwei)*	588	–	–	32	73	693
Independent Non-Executive Directors						
Mr. 胡國強(Mr. Wu Kwok Keung Andrew)	249	–	–	–	–	249
Mr. 溫嘉明(Mr. Wan Kah Ming)	249	–	–	–	–	249
Ms. 張渝涓(Ms.Zhang Yujuan)	249	–	–	–	–	249
	1,940	4,686	–	223	220	7,069

* During the year, there were non-cash share-based payments of RMB360,000 to Mr Wu Jiwei, which represented amortisation of the options valued on respective grant date, over a three year period. This amount is not included in the table above.

Notes to the Consolidated Financial Statements

34. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executives emoluments (continued)

The remuneration of each director and the chief executive for the year ended 31 December 2020 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 王國強(Mr. Wang Guoqiang) *(Chairman)*	–	624	–	40	6	670
Mr. 吳東方(Mr. Ethan Wu) *(Chief Executive officer)*	–	527	–	53	4	584
Mr. 李強(Mr. Li Qiang)	–	329	–	40	34	403
Mr. 武吉偉(Mr. Wu Jiwei)*	–	650	–	38	31	719
Non-executive Directors						
Ms. 陳春花(Ms. Chen Chunhua)	370	–	–	40	6	416
Mr. 武吉偉(Mr. Wu Jiwei)*	58	–	–	3	3	64
Independent Non-Executive Directors						
Mr. 胡國強(Mr. Wu Kwok Keung Andrew)	173	–	–	–	–	173
Mr. 溫嘉明(Mr. Wan Kah Ming)	173	–	–	–	–	173
Ms. 張渝涓(Ms.Zhang Yujuan)	173	–	–	–	–	173
	947	2,130	–	214	84	3,375

* Mr Wu Jiwei has been re-designated from an executive director to a non-executive director with effect from 8 December 2020. During the year, there were non-cash share-based payments of RMB1,093,000 to Mr Wu Jiwei, which represented amortisation of the options valued on respective grant date, over a three year period. This amount is not included in the table above.

Notes to the Consolidated Financial Statements

34. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2020: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2020: nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available director's services (2020: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities (2020: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: nil).

35. SUBSEQUENT EVENT

On 21 January 2022, pursuant to the exclusive Call Option Agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by Preference Shareholders as stated in Note 9(a)(i) which was disclosed in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK shall acquire a total of 350,000 preference shares from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of SGD3,200,000(the "Transactions"). As at the date on which this set of financial statements were authorised for issue, the Transactions have been completed with consideration yet to be paid.

SPT Energy Group Inc.
華油能源集團有限公司*

* For identification purpose only