SPT Energy Group Inc.

華油能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1251)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2021 was RMB1,588.8 million, representing an increase of RMB299.5 million, or 23.2%, from RMB1,289.3 million for the previous year. The profit attributable to equity owners of the Company was RMB8.8 million, while the loss attributable to equity owners of the Company for the previous year was RMB91.2 million.

No final dividend for the year ended 31 December 2021 was proposed by the Board to the shareholders of the Company (for the year ended 31 December 2020: nil).

RESULTS

The board of directors (the "**Board**") of SPT Energy Group Inc. (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Year**"), together with the comparative figures for the previous year as follows:

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**402,533**	412,254
Right-of-use assets		**90,731**	97,049
Intangible assets		**17,384**	3,306
Investments in associates		**2,840**	4,018
Deferred income tax assets		**116,674**	117,707
Financial assets at fair value through other comprehensive income		**11,688**	15,718
Prepayments and other receivables	*6*	**5,338**	28,959
		647,188	679,011
Current assets			
Inventories		**507,280**	436,400
Contract assets		**30,096**	21,811
Trade and note receivables	*5*	**999,247**	1,034,259
Prepayments and other receivables	*6*	**214,029**	183,905
Restricted bank deposits		**29,434**	27,337
Cash and cash equivalents		**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	*7*	**1,178**	1,178
Share premium		**848,026**	848,026
Other reserves		**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

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Borrowings		**225,099**	233,077
Non-current lease liabilities		**35,807**	46,660
Deferred income tax liabilities		**25,991**	21,991
		286,897	301,728
Current liabilities			
Borrowings		**292,903**	193,000
Current portion of long-term borrowings		**59,889**	65,266
Contract liabilities		**44,776**	7,266
Trade and note payables	*8*	**673,355**	697,413
Accruals and other payables	*9*	**144,195**	125,298
Current income tax liabilities		**50,842**	64,795
Current portion of lease liabilities		**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

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue		**1,588,799**	1,289,267
Other gains, net		**4,895**	25,550
Operating costs			
Material costs		**(354,883)**	(277,825)
Employee benefit expenses		**(537,018)**	(476,903)
Short-term and low-value lease expenses		**(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		**(10,282)**	(23,393)
Impairment losses of inventories and prepayments		**(10,141)**	(28,452)
Others		**(189,506)**	(162,729)
		(1,540,296)	(1,379,218)
Operating profit/(loss)		**53,398**	(64,401)
Finance income	*10*	**721**	892
Finance costs	*10*	**(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	*11*	**(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	*13*	**0.005**	(0.049)
Diluted earnings/(losses) per share	*13*	**0.005**	(0.049)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Note	***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 the 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)

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December **2021** *RMB'000*	2020 *RMB'000*
Cash flows from operating activities			
Cash generated from/(used in) operations		**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		**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
Exchange losses on cash and cash equivalents		**(4,697)**	(15,859)
Cash and cash equivalents at end of the year		**359,415**	321,618

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 is principally engaged in investment holding. The Company and its subsidiaries (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 3.

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.

3. 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

The Group tests whether property, plant and equipment, right-of-use assets and other non-current assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on 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, and this may have an impact on the Group's results of operation or balance sheet.

(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.

4. 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

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 China National Petroleum Corporation ("CNPC") and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 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**

	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	2020
	RMB'000	*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)

	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

(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

(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

(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.

5. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*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

(a) Fair values of trade and note receivables

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

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

	As at 31 December	
	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.

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

6. 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) Deposits and other receivables are financial assets classified under "other financial assets at amortised cost". The fair values of deposits and other receivables approximated their carrying values.

7. 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	1,853,776	1,178
As at 31 December 2021	1,853,776	1,178

8. 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.

9. 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.

10. 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)

11. 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.

(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)

12. DIVIDENDS

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

13. 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. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Reporting Year, the COVID-19 pandemic (the "**Pandemic**") fluctuated under the impact of mutated strains. Nonetheless, increased global vaccination rate of the COVID-19 vaccines (the "**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 experienced 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 remain cautious on future investments in oil and gas industry in 2021. 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 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 Pandemic, and adjusted Pandemic prevention strategies in a timely manner, which effectively enhanced productivity, operation 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.

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 Pandemic, 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	2020	Change
	RMB'000	*RMB'000*	*(%)*
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%

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	2020	Change
	RMB'000	*RMB'000*	*(%)*
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 and other services.

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 2021, 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 Northwest China Oilfield Company.

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.

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 projects 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 Pandemics 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, accelerated 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.

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, alcohol production and alcohol sales stabilizing.

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 CNPC optimizing and adjusting 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 Group'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.

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 press 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.

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, consolidating existing markets while continuously exploring emerging 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 strengthened 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 and was used 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°C, 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.

In terms of well completion, the Group successfully completed the highly difficult secondary completion of a well in Sichuan and 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 H2S content is 0.35%, and the CO2 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 under development 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.

HUMAN RESOURCES

Based on the five-year strategic plans and business objectives for 2021 identified by the Group, the Group achieved significant results in updating its human resources management system. The major details of the human resources work in 2021 were 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, and made great progress.

2. Driven by external economy and market sentiment, 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, a comprehensive online talent training programme was conducted and a three tier talent training system was established, in order 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 in aggregate.

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 during the 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.

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.

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.

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 change 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.

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 of accounts receivable 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 expansion of the operating activities 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 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.

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 it 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 neither other significant investments, nor 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 in Kazakhstan 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.

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.

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 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 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 realize value.

5. The Group will continue to establish a long-term environmental, social and governance (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.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting to be held on 10 June 2022, the register of members of the Company will be closed from 7 June 2022 to 10 June 2022 (both dates inclusive). All transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 6 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made a specific enquiry to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 2021.

CORPORATE GOVERNANCE

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

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

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2021 of the Group with the auditor of the Company.

PUBLICATION

The annual results announcement for the year ended 31 December 2021 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sptenergygroup.com) respectively. The 2021 annual report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

The PRC, 24 March 2022

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

* *For identification purpose only*