ANTON 安東

安東油田服務集團

Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

Annual REPORT 2023

CONTENTS

ABOUT ANTON

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

BUSINESS

The Group's long-term strategic goal is to "become the innovative and world-leading oilfield technical services company".

To achieve this goal, the Group has established an all-round service system, which has been further upgraded into a comprehensive solution for oil and gas development for oil companies to achieve sustainable development, including eight solutions: Oil & Gas Development Overall Solution; Stimulation, Efficiency Improvement Research and Optimization Solution; Visualized and Data-Based Monitoring Solution; Oil & Gas Well Precision Engineering Technology Solution; Oil & Gas Development Quality and Safety TIC Solution; Oil & Gas Development AI Solution; Oil & Gas Green Development Asset Leasing Solution; Oil & Gas Development External Resource Platform Service Solution, which can help customers to improve their efficiency of resource development from all aspects of oil and gas development.

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

INSPECTION SERVICES

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

OILFIELD MANAGEMENT SERVICES

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

Integrated Oilfield Management Services

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

Oilfield Operation and Maintenance Services

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

OILFIELD TECHNICAL SERVICES

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

Drilling Technical Services

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

Well Completion Technical Services

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

Stimulation Technical Services

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

Asset Leasing Series Services

Asset leasing series services connect oil and gas development enterprises, equipment manufacturers and financial institutions to provide whole-process leasing solutions, including drilling tools, engineering equipment, oil and gas processing equipment and facilities and new energy equipment and facilities solutions. Through six services, including asset sharing service, investment and operation service of flexible oil and gas processing facilities, equipment energy saving management service, special service of emission reduction and governance, oilfield new energy power generation service and distributed CCUS service, we help customers achieve "more", "faster", "better" and "lower", and create value.

DRILLING RIG SERVICES

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

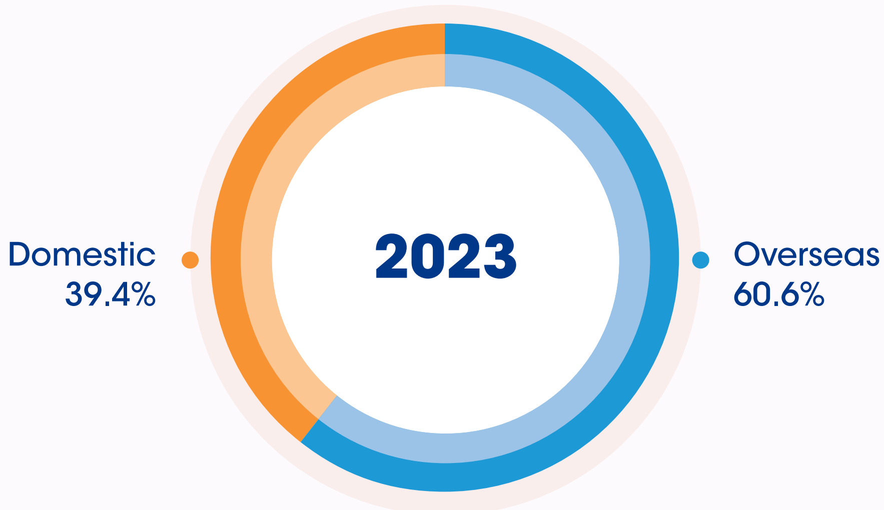
CONDENSED CONSOLIDATED INCOME STATEMENTS

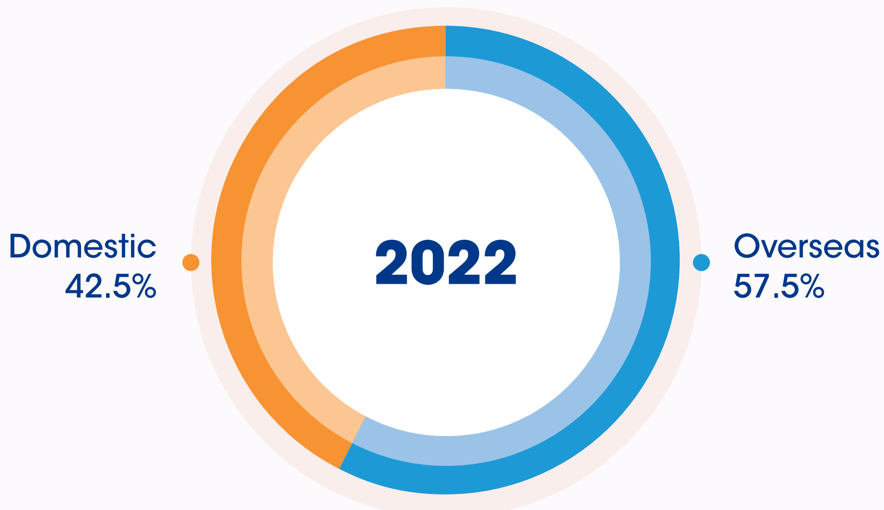
RMB ('000)	For the year ended 31 December 2019	2020	2021	2022	**2023**
Revenue	3,589,497	3,087,652	2,923,566	3,514,912	**4,434,798**
Other (loss)/gains, net	176	40,279	24,919	153,114	**(17,286)**
Operating costs	(2,870,091)	(2,803,400)	(2,519,006)	(3,002,875)	**(3,816,826)**
Operating profits	719,582	324,531	429,479	665,151	**600,686**
Finance costs, net	(295,133)	(293,933)	(252,170)	(251,293)	**(195,129)**
Profit before income tax	425,211	30,739	176,084	420,502	**407,727**
(Loss)/Profit for the year	282,420	(83,760)	75,350	297,591	**220,560**
Attributable to: Equity holders of the Company	268,583	(95,844)	72,218	293,810	**196,513**
Non-controlling interests	13,837	12,084	3,132	3,781	**24,047**
Dividends	–	–	–	–	**39,000**
(Loss)/Earnings per share attributable to the equity holders of the Company during the year (expressed in RMB per share) Basic	0.0894	(0.0322)	0.0249	0.1013	**0.0675**
Diluted	0.0889	(0.0322)	0.0246	0.0990	**0.0666**

CONDENSED CONSOLIDATED FINANCIAL POSITION

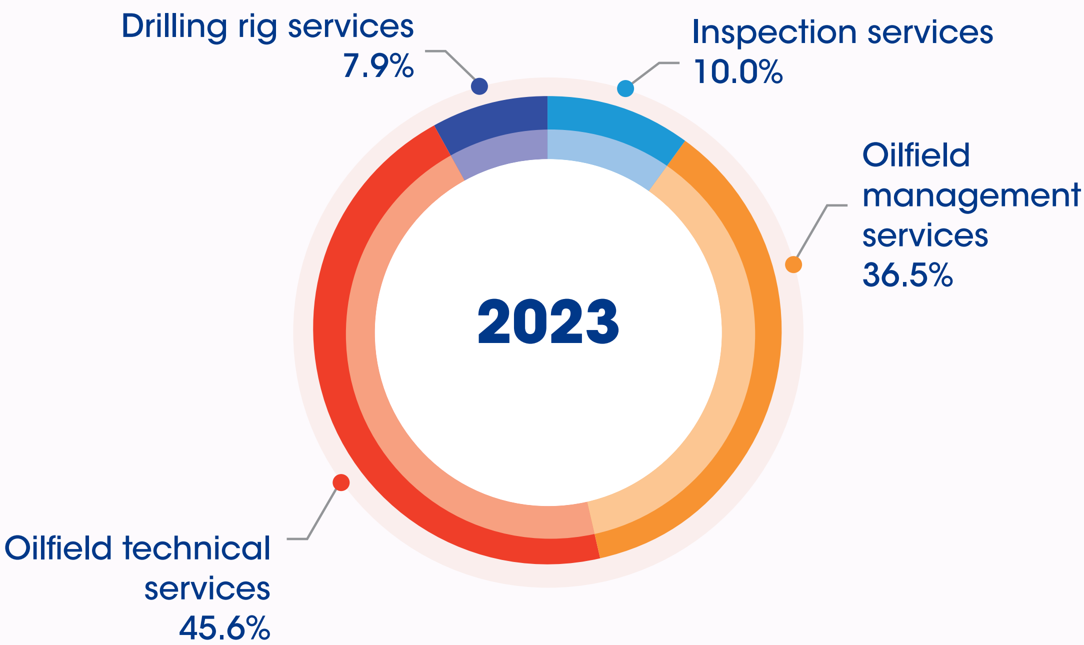
RMB ('000)	As at 31 December 2019	2020	2021	2022	**2023**
Assets					
Non-current assets	3,025,898	2,847,367	2,709,437	2,880,925	**2,783,339**
Current assets	6,480,914	5,033,754	5,439,928	5,101,870	**7,023,535**
Total Assets	9,506,812	7,881,121	8,149,365	7,982,795	**9,806,874**
Total Equity	2,957,663	2,763,721	2,828,161	3,300,809	**3,420,886**
Liabilities					
Non-current liabilities	2,310,327	2,028,782	996,120	891,033	**1,165,331**
Current liabilities	4,238,822	3,088,618	4,325,084	3,790,953	**5,220,657**
Total liabilities	6,549,149	5,117,400	5,321,204	4,681,986	**6,385,988**
Total equity and liabilities	9,506,812	7,881,121	8,149,365	7,982,795	**9,806,874**
Net current assets	2,242,092	1,945,136	1,114,844	1,310,917	**1,802,878**
Total assets less current liabilities	5,267,990	4,792,503	3,824,281	4,191,842	**4,586,217**

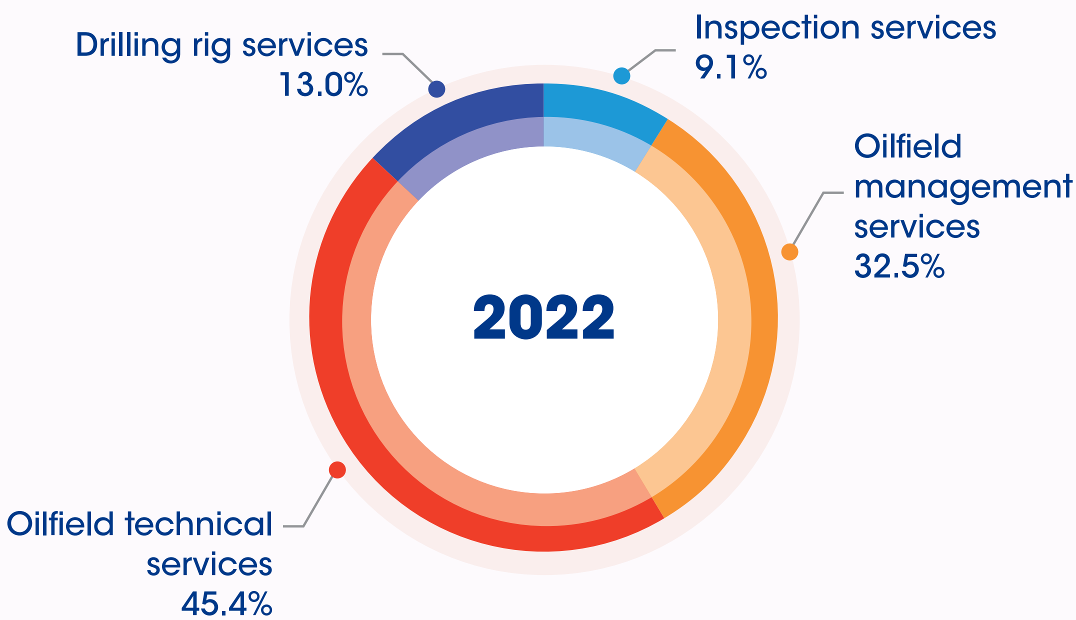
REVENUE BREAKDOWN BY REGION





REVENUE BREAKDOWN BY BUSINESS CLUSTERS





CHAIRMAN'S STATEMENT

Dear shareholders and friends:

I am pleased to share with you Anton's performance over the past year and our outlook for the future.

In 2023, international oil prices remained at a medium-high level, oil and gas exploration and development activities remained active. Last year, Anton adhered to the customer-centric concept, continued to deepen business innovation and transformation, and accelerated the development of overseas markets, achieved solid performance growth. In 2023, the Group achieved record revenue of RMB4.4 billion; net profit attributable to shareholders, after deducting the one-off gain on repurchase of USD bonds, amounted to RMB195 million, up 18.5% year on year; free cash flow remained strong at RMB500 million, up 17.3% year on year; and the Board declared a final dividend of RMB0.013 per Share, with the total amount of RMB39 million to lift shareholder returns.

On the market front, our international and domestic businesses achieved dual growth, with our international business performing particularly well, revenues amounted to RMB2.7 billion, with a growth rate of over 33.0%, accounting for about 60.6% of the Group's total revenues, marking the increasing success of our globalization transformation; the domestic market also achieved a rapid recovery in 2023, with revenues from the domestic market reaching RMB1.7 billion, on the basis of proactively cutting down on our heavy asset business, and achieved a 16.9% increase in revenue.

On the business front, we continued to promote the upgrading and transformation of our business during the year, with our innovative business, mainly oilfield management, asset leasing, inspection and digitalization services, achieving a rapid growth of 37.4%, and the revenue share of our innovative business exceeding 51.0%, becoming the core of our business. During the year, we also continued to build our ecological platform to strengthen collaboration with industry partners while increasing the Group's influence in the industry. By the end of 2023, the total number of online followers of "Oil Mates", a we-media platform owned by Anton, had exceeded 100,000. We launched the "Oil & Gas Exhibition" to help our partners share the global market. We also organized the first "Anton Digital Intelligence Technology Conference", "Anton Specialized, Refined, Differentiated, Innovative Technology Conference" and "Anton Reservoir Geology Conference", through which we gathered advanced technologies of the industry and continuously promoted technological innovation and development of the industry in order to jointly promote the transformation and development of the industry.

On the management front, we have built six internal intelligent management platforms through the application of informatization, intelligent management systems and digital tools to realize the digitalization of the whole scenario from products, business to management and achieve management efficiency improvement.

OUTLOOK FOR 2024

In 2024, the global energy transition will continue to deepen, and the oil and gas industry will continue to transform towards "green", "sustainable" and "intelligent", which will bring new opportunities for our business development.

The Group will further promote global market development and actively explore business in the Middle East, Central Asia, Africa, Southeast Asia and other markets to promote the sustainable and rapid growth of its international business. In order to meet the needs of the industry for long-term sustainable development, the Group has officially launched the "All-round Eight Solutions", which include oil & gas development overall solution; stimulation, efficiency improvement research and optimization solution; visualized and data-based monitoring solution; oil & gas well precision engineering technology solution; oil & gas development quality and safety TIC solution; oil & gas development AI solution; oil & gas green development asset leasing solution; oil & gas development external resource platform service solution. What we hope to achieve is that, faced with the needs of different customers at different stages of development, Anton will always have a solution that can achieve precise adaptation, create value for customers and win a wider development space for us.

We will also continue to promote digital transformation and platform development, converge external partners and resources onto the platform, promote ecological development in the industry, and realize Anton's fissile growth. In addition, we will continue to push forward the globalization transformation in management, continue to build a global team of excellent talents, enhance global leadership, further optimize globalized, intelligent and efficient operation and management, push forward business scale growth, and continue to improve shareholder returns.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt thanks to all our customers, employees, partners and shareholders! Thanks to your long-term trust and support, we will continue to overcome difficulties and achieve new successes. In 2024, Anton will continue to move towards its strategic goal of becoming "an innovative and world-leading oilfield technical service company", while continuing to create value for all stakeholders and contribute to the transformation of the industry. Thank you very much.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. HUANG Song

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ESG ("ENVIRONMENT, SOCIETY AND GOVERNANCE") COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. LUO Lin
Ms. Nelly AU-YEUNG

COMPANY SECRETARY

Ms. Nelly AU-YEUNG

COMPANY'S WEBSITE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

as to Hong Kong and U.S. law:

Sidley Austin

as to PRC law:

Tiger Partners

as to Cayman Islands law:

Maples and Calder

PRINCIPAL BANKS

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

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

3337

DATE OF LISTING

14 December 2007

BUSINESS REVIEW

In 2023, the pressure of global economic stagnation continued, and the macroeconomic development was still facing severe challenges. The frequent geopolitical events brought new challenges to the global economic growth. At the same time, it further increased the uncertainty risk on the oil and gas supply. In the oil and gas market, the oil price remained at a mid-to-high level throughout the year. The emerging markets for global oil and gas development continued to vigorously promote the construction of oil and gas development capacity, and the overall industry was in an upward stage.

During the year, the Group achieved rapid business recovery and performance growth. In terms of the market, the Group continued to focus on the emerging markets of global oil and gas development and continued to expand its business by leveraging on its differentiated competitive advantages. In 2023, the Group's overseas business grew by RMB666.9 million, representing an increase of 33.0%, and its share of the Group's total revenue reached 60.6%. In the PRC market, the Group continued to focus on reservoir geological technology, using innovative technologies to help customers increase development efficiency, and providing asset-light technical services to drive growth, thereby achieving rapid recovery after the epidemic. Revenue from the PRC increased 16.9% compared to 2022.

In terms of products and services, the Group further accelerated the business transformation and the development of innovative business, forming a new business form of precision engineering technology, independent innovative service brand and e-commerce. Among them, revenue from innovative businesses such as oilfield management, inspection and asset leasing series solutions accounted for more than 50%. In addition, the Group's online platform – Anton Oil & Gas Mall (安同油氣商城), Oil & Gas DAO (油氣島), Oil Mates Multimedia (石同多媒體) and Oil Mates We Media (石油同學自媒體), have formed a large ecosystem, and online business has been fully developed. Facing the rapid development of global digitalization and AI technology, the Group also continued to accelerate the digitalization and intelligent transformation. During the year, the Group focused on researching and launching a series of AI solutions for the oil and gas industry. The business transformation will help the Group to achieve sustainable scale development in the future and further improve the quality of business growth.

In terms of management, the Group continued to strictly implement cash flow management and strictly controlled the entire process of projects to achieve cost reduction and efficiency enhancement as well as sustained strong cash flow performance. The Group achieved net operating cash inflows of RMB916.8 million and free cash flow of RMB499.5 million for the year. The Group also continued to promote management digitization during the year. By building a data center that integrates production, operations, finance, market, human resources management and other data, the Group has achieved comprehensive real-time digitization and visual management of operational information to further improve operational management efficiency, optimize resource allocation, and promote rapid business development, thereby achieving cost reduction and efficiency improvement in management.

In terms of environment, society and governance (ESG), in 2023, the Group focused on the mid-to-long-term carbon reduction goals, and through continuous innovation in technology and service models, management, and operation efficiency improvements, the Group maximized its efforts in its own production process to reduce emissions and helped customers achieve emission reductions. In 2023, the Group's greenhouse gas emissions per unit revenue have reduced by 2.7% as compared to 2022, and indirectly helped customers achieved greenhouse gas emissions reduction of the equivalent of 19,972.4 tons of carbon dioxide. At the same time, the Group actively fulfilled its social responsibilities. The Group actively participated in community donations, carried out appropriate poverty alleviation work, supported flood prevention and disaster relief and post-disaster reconstruction in the PRC, and assisted in donating money to repair schools and improve educational conditions in Iraq where the Group's operations are located. The Group also actively increased the recruitment and training of talents, promoted technological innovation, and actively contributed to the development of the society. In 2023, the Group's subsidiaries won a number of awards such as the National Specialized, Refined, Differentiated, and Innovative Little Giant (國家級專精特新小巨人), Top 100 Private Enterprises in Internationalization (全國民營經濟國際化百強企業), and the Best Managed Companies in China (中國卓越管理公司).

Performance Results

For 2023, the Group's revenue totalled RMB4,434.8 million, representing an increase of RMB919.9 million, or 26.2%, from RMB3,514.9 million in 2022. Operating profit was RMB600.7 million, representing a decrease of RMB64.5 million or 9.7% from RMB665.2 million in 2022, mainly due to the fact that the Group's one-off USD bond repurchase gain in 2022 was RMB129.3 million, while the USD bond repurchase gain in 2023 was merely approximately RMB1.5 million. Net profit was RMB220.6 million, representing a decrease of approximately 25.9% from RMB297.6 million in 2022. Profits attributable to equity holders of the Company was RMB196.5 million, representing a decrease of RMB97.3 million, or approximately 33.1%, from RMB293.8 million in 2022. The net profit margin attributable to equity holders of the Company was 4.4%. However, profit attributable to equity holders after deducting the one-off US dollar bond repurchase gain was RMB195.0 million, representing an increase of RMB30.5 million or 18.5% from RMB164.5 million in 2022.

As at 31 December 2023, the Group's accounts receivable balance was approximately RMB2,441.0 million, and the average accounts receivable turnover was 169 days, representing a decrease of 29 days as compared to 2022. The average inventory turnover was 75 days, representing a decrease of 21 days as compared to 2022. The average account payables turnover was 88 days, representing an increase of 4 days as compared to 2022. Net operating cash flow was RMB916.8 million, representing a slight decrease of RMB63.2 million from RMB980.0 million in 2022. While, due to the decrease in finance expenses and reasonable control of capital expenditure, free cash flow achieved stable growth. In 2023, the Group achieved free cash flow of RMB499.5 million, representing an increase of RMB73.5 million from RMB426.0 million in 2022.

Geographical Market Analysis

In 2023, the Group's revenue from overseas markets was RMB2,688.1 million, representing an increase of RMB666.9 million, or 33.0%, from RMB2,021.2 million in 2022, accounting for 60.6% of the Group's total revenue. Among the overseas markets, revenue from the Iraqi market was RMB2,210.9 million, representing an increase of RMB674.9 million from RMB1,536.0 million in 2022, an increase of 43.9%, accounting for 49.8% of the Group's overall revenue. Revenue from the other overseas markets was RMB477.2 million, representing a decrease of RMB8.0 million or 1.7% from RMB485.2 million in 2022, accounting for 10.8% of the Group's overall revenue. Revenue from the PRC market was RMB1,746.7 million, representing an increase of RMB253.0 million or 16.9% from RMB1,493.7 million in 2022, accounting for 39.4% of the Group's total revenue.

Breakdown of Revenue by Market

	Twelve months ended 31 December			% of the Group's total revenue Twelve months ended 31 December	
	2023 (RMB Mn)	2022 (RMB Mn)	Change (%)	**2023 (%)**	2022 (%)
Overseas	**2,688.1**	2,021.2	33.0%	**60.6%**	57.5%
Domestic	**1,746.7**	1,493.7	16.9%	**39.4%**	42.5%
Total	**4,434.8**	3,514.9	26.2%	**100.0%**	100.0%

Overseas Markets

	Twelve months ended 31 December			% of the Group's total revenue Twelve months ended 31 December	
	2023 (RMB Mn)	2022 (RMB Mn)	Change (%)	**2023 (%)**	2022 (%)
Iraq	**2,210.9**	1,536.0	43.9%	**49.8%**	43.7%
Other overseas	**477.2**	485.2	-1.7%	**10.8%**	13.8%
Total	**2,688.1**	2,021.2	33.0%	**60.6%**	57.5%

Overseas Markets

Iraq

The Iraqi market is currently a mature market that accounted for the largest share of the Group's overseas revenue. The Group has been extensively developing the Iraqi market for more than 15 years and has established a strong international and integrated service capability. In addition to the traditional advantageous technical services, the Group's oilfield management business in the Iraqi market has become an asset-light and innovative business model that the Company has focused on in recent years, and has continued to achieve rapid growth.

In 2023, major customers in the Iraqi market continued to increase capital expenditures and actively promoted production capacity construction. The Group fully leveraged on its business advantages and obtained orders for high-quality services such as oilfield management, oilfield operation and maintenance, inspection, and stimulation technical services. The Group's integrated oilfield management projects in this market have helped customers achieved long-term and stable development of oilfields by virtue of continuous high-quality services. The scope of services has further increased and continued to expand. Since the Group took over the oilfield, it has achieved a high standard of HSSE performance exceeding 2,000 consecutive days lost-time-injury free ("**LTI-Free**"), which has been highly praised by customers. The high-quality execution of the project fully confirmed the success of the Group's integrated oilfield management project model and its excellent capability in integrated oilfield management. During the year, the Group's operating projects in other oilfields in Iraq also achieved continuous growth by leveraging on its technical and service capabilities, setting a number of outstanding records.

In addition, the Group actively promoted the application of digital intelligence technology in the Iraqi market to improve management efficiency for Iraqi oilfield customers. In September, the delivery ceremony of the EBS production command centre project constructed by Anton's digital technical service team, was successfully held at the East Baghdad oil field. The project used the drilling remote monitoring system of the production command centre to achieve real-time data collection, transmission, processing and analysis at the drilling operation site to ensure the smooth progress of drilling operations. Through a new model of efficient, intelligent and safe drilling operation management, it was possible to ensure an increase in oilfield output.

In 2023, the Group obtained new orders in the Iraqi market of approximately RMB2,540.5 million, representing an increase of 82.1% as compared to that in 2022. In 2023, the Iraq market recorded revenue of approximately RMB2,210.9 million, representing an increase of approximately 43.9% as compared to RMB1,536.0 million last year.

Other Overseas Markets – Global Emerging Markets

In terms of business expansion in the emerging markets of global oil and gas development, the Group has always adopted the principle of prudence and focused on asset-light oilfield management, supervision and inspection projects.

In 2023, the Group's business in the other overseas markets operated steadily throughout the year. The Group's integrated oilfield management project in the Chad market in Africa successfully achieved more than 3 million hours LTI-Free. The Group's green innovation business (i.e. natural gas processing and decarbonization service project) has successfully entered the construction stage in the Indonesian market. The Group's self-developed mechanical liner hanger tool was successfully applied in the Algerian market.

In 2023, the Group's new orders in the other overseas markets reached a total value of RMB704.2 million, representing an increase of 18.9% compared to 2022. In 2023, the Group recorded revenue of approximately RMB477.2 million from the other overseas markets, a decrease of approximately 1.7% from RMB485.2 million in 2022.

Domestic Market

In 2023, the Group continued to strengthen its asset-light transformation in the domestic market, reduced resource investment in asset-heavy businesses, focused on reservoir geology research, and led industry growth through technology. During the year, the Group actively promoted technological innovation and provided customers with customized and integrated solutions to maximize asset efficiency. During the year, the Group achieved a number of technological innovation breakthroughs. The Group's real-time iterative fracturing technology has been applied in more than 100 wells in the shale gas blocks of South Sichuan, the shale oil and tight gas fields of the Ordos Basin, and has achieved remarkable results in fracturing risk control and fracturing efficiency. This technology will be further promoted and applied in the future.

During the year, the Group's innovative asset leasing solutions also made new breakthroughs. The natural gas purification and transportation and maintenance service project undertaken by the Group in Southwest China was officially completed and put into operation in April. The Group's construction of high-quality and efficient stations was highly praised by customers. The Group will continue to provide operation and maintenance services for the project for a period of five years. The Group's first smart station was also put into use in the project, which facilitated the efficient operation of the project through intelligent production management.

In December, the Group's first SRDI (Specialized, Refined, Differentiated, Innovative) technology conference, digital intelligence technology conference and reservoir geology conference were successfully held at the Group's Chinese business headquarters in Chengdu. The Group has proactively promoted specialised and new technologies, empowered global oil and gas through digital intelligence technology, and made breakthrough contributions to customers through technological leadership.

In 2023, the Group received new orders of approximately RMB2,617.2 million in the PRC, representing an increase of approximately 3.3% from RMB2,532.9 million for the same period last year, and the project portfolio continued to be optimized, with service orders for asset-light projects continued to increase. The PRC market recorded revenue of approximately RMB1,746.7 million in 2023, representing an increase of 16.9% from RMB1,493.7 million in 2022.

Business Cluster Analysis

During the Reporting Period, the Group's revenue from the inspection services cluster was RMB445.9 million, representing an increase of approximately 38.7% as compared to 2022 and accounting for 10.0% of the Group's revenue in 2023. Revenue from the oilfield management services cluster was RMB1,617.9 million, representing an increase of approximately 41.5% as compared to 2022 and accounting for 36.5% of the Group's revenue in 2023. Revenue from the oilfield technical services cluster was RMB2,021.6 million, representing an increase of approximately 26.8% as compared to 2022 and accounting for 45.6% of the Group's revenue in 2023. Revenue from the drilling rig services cluster was RMB349.4 million, representing a decrease of approximately 23.3% as compared to 2022 and accounting for 7.9% of the Group's revenue in 2023.

Revenue Breakdown by Cluster

	Twelve months ended 31 December			% of the Group's total revenue Twelve months ended 31 December	
	2023 (RMB Mn)	2022 (RMB Mn)	Change (%)	**2023 (%)**	2022 (%)
Inspection services cluster	**445.9**	321.5	38.7%	**10.0%**	9.1%
Oilfield management services cluster	**1,617.9**	1,143.6	41.5%	**36.5%**	32.5%
Oilfield technical services cluster	**2,021.6**	1,594.5	26.8%	**45.6%**	45.4%
Drilling rig services cluster	**349.4**	455.3	-23.3%	**7.9%**	13.0%
Total	**4,434.8**	3,514.9	26.2%	**100.0%**	100.0%

Inspection Services Cluster

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

The Inspection Services Cluster adopts the strategy of the "one core plus two emerging" businesses mix. The core "asset integrity management as the core inspection technology service" consists of non-destructive inspection, oil casing inspection, gas seal inspection, pipeline inspection, and metrology inspection, among other technical services and covers the entire process of natural gas development, production, storage and transportation, and metrology. At the same time, the Group promoted the "two emerging" pillars of technical services – "decarbonization technical services" and "intelligent inspection technical services" – to carry out environmental testing around carbon peaking and carbon neutrality goals and to use next-generation technologies such as big data, AI, and Internet of Things to continue to improve our intelligent service capabilities, help customers reduce costs, ensure asset security and achieve energy savings, efficiency, safety, and environmental protection.

As the first asset securitization project under the Group's multi-entity operations strategy, the Group is now pursuing a separate listing of T-ALL Inspection in the capital market of Mainland China.

In 2023, the Group's revenue from inspection services experienced fast growth, which reached RMB445.9 million, representing an increase of 38.7% as compared to the revenue of RMB321.5 million in 2022.

EBITDA of the inspection services cluster increased by 19.3% to RMB140.0 million in 2023, from RMB117.4 million in 2022, and with an EBITDA margin of 31.4%, representing a decrease of 5.1 percentage point from 36.5% for the same period last year.

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

Oilfield Management Services Cluster

This cluster comprised of high-quality, asset-light management services. The Group leverages its full spectrum of oil and gas resources development technologies and oil and gas field management professionals to provide optimal oil and gas field management and ancillary services to help customers maximize their asset value. The Group targets markets such as Iraq, West Africa, and the PRC, among others, for oilfield management services and has established strong relationships with customers through high-quality management services.

The Group had been highly praised by its customer in the Majnoon oilfield management services project since its kick-off in 2018, and the coverage of services has kept expanding. In addition, the Group's integrated oilfield management projects in the Chad market continues to operate stably. The Group is actively looking to further replicate this business model in the global emerging markets.

In 2023, the Group's oilfield management services cluster continued to achieve fast growth, with revenue of RMB1,617.9 million, representing an increase of 41.5% as compared to RMB1,143.6 million in 2022.

Business analysis of each product line of the oilfield management service cluster:

1) Integrated oilfield management projects: During the reporting period, the integrated oilfield management services product line recorded revenue of RMB1,033.9 million, up 36.2% from RMB759.2 million in 2022.

2) Oilfield operation and maintenance services: In 2023, the oilfield operation and maintenance service product line recorded revenue of RMB584.0 million, an increase of 51.9% from RMB384.4 million in 2022.

EBITDA of the oilfield management services cluster increased by 36.2%, from RMB440.6 million in 2022 to RMB600.2 million in 2023, with an EBITDA margin of 37.1%, a decrease of 1.4 percentage points from 2022.

Oilfield Technical Services Cluster

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

During the year, the Group continued to promote the upgrading and transformation of oilfield technical services. Under the guidance of reservoir geology research, the Group launched production and efficiency enhancement research and optimization solutions, visualization and data monitoring solutions, as well as oil and gas well precision engineering technology solutions, in order to increase production and efficiency for oilfield customers and maximize the value of their reservoir assets.

In 2023, the Group's asset leasing business model underwent a major transformation, and no longer merely focuses on the traditional leasing of drilling tools. The Group has promoted "green development, anything is leasable" and upgraded its asset leasing business to a business that provides a series of green development solutions in the entire process of oil and gas development by connecting oil and gas companies, manufacturers and financial institutions, and is committed to helping oil and gas development achieve net-zero emissions. The asset leasing business has launched six solutions services: shared asset services, flexible treatment facility investment and operation service, conversion of energy consumption services, flaring gas recovery and emission cut services, new energy services, and distributed CCUS. It will further contribute to the Group's business upgrading and the industry's green transformation.

In 2023, revenue from the oilfield technical services cluster was RMB2,021.6 million, representing an increase of 26.8% from RMB1,594.5 million in 2022.

Business analysis of each product line of the oilfield technical service cluster:

1) Drilling technical services: This product line recorded revenue of RMB390.4 million in 2023, representing an increase of approximately 1.9% compared to RMB383.2 million in 2022.

2) Well completion technical services: This product line recorded revenue of RMB210.8 million in 2023, representing a slight decrease of 12.4% compared to RMB240.6 million in 2022.

3) Stimulation technical services: This product line recorded revenue of RMB1,201.1 million in 2023, representing an increase of approximately 56.7% from RMB766.3 million in 2022.

4) Asset leasing series solutions: This product line recorded revenue of RMB219.3 million in 2023, representing an increase of approximately 7.3% from RMB204.4 million in 2022.

EBITDA of the oilfield technical services cluster increased by 20.0% to RMB565.4 million in 2023 from RMB471.0 million in 2022, with an EBITDA margin of 28.0%, a drop 1.5 percentage points from 29.5% in 2022.

Drilling Rig Services Cluster

Drilling rig services cluster is an asset-heavy business. In the context of the Group's goal of comprehensive internationalization, asset-light and innovative business, the asset-heavy business is not the focus of the Group's development. The Group is committed to utilizing its existing high-quality drilling technology, its own drilling equipment and ecological partnership platform to integrate industry resources to achieve low-investment and efficient services.

In 2023, revenue from the drilling rig services cluster reached RMB349.4 million, representing a decrease of 23.3% from RMB455.3 million for the same period last year.

EBITDA of the drilling rig services cluster decreased by 26.2% to RMB107.7 million in 2023 from RMB146.0 million in 2022, with an EBITDA margin of 30.8%, a drop of 1.3 percentage points from 32.1% in 2022.

Alignment of Strategic Resources

In 2023, the Group continued to curb new capital expenditure, abided strictly with its "asset-light" business model and maintained "cash flow" focus. Capital expenditure for 2023 was RMB277.0 million, representing a decrease of RMB66.1 million from RMB343.1 million in 2022.

Alignment of Investment

In 2023, the Group primarily made supplementary investments in support of equipment deployed on ongoing projects.

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

In 2023, the Group focused on the practical needs of customers to increase production and reduce costs, and actively promoted technological innovation and upgrading of products and services with reservoir geology, precision engineering technology and intelligent technology as the core. In 2023, the Group invested RMB111.7 million in research and development ("R&D"), representing an increase of 39.1% from RMB80.3 million for the same period last year. Key R&D projects include:

- Gas Leaking Detection Supporting Equipment Upgrade Research and Development Project
- Intelligent Detection Platform Digital Research and Development Scientific Research Project
- Knowledge Management Intelligent Question and Answer Platform Project
- Optical Fiber Logging Supporting Research and Development Project
- Digital Rock Debris Skid-mounted Laboratory Construction Project

Alignment of Human Resources

In 2023, the Group actively expanded its business and further enhanced its internal operational and management efficiency through a series of management reforms and optimizations.

During the year, based on the OKR working method, the Group further optimised the standard of job appointments and implemented standardized operation procedures for all employees to further improve the delivery quality and efficiency of all employees. The Group further clarified the manpower and labour efficiency management and control objectives, formed a labour efficiency management and control system with indicators as the core, and deepened the concept of "rooted operation, cost reduction and efficiency improvement" into the minimum performance unit. In terms of organizational management, the Group made weekly organizational adjustments and timely arrangement of manpower, and flexibly implemented optimization adjustments according to the operating conditions of amoeba to achieve agile management.

The Group continues to attach importance to the recruitment and training of talents. During the year, the Group continued to increase its on-campus recruitment efforts, and provided more job opportunities for fresh graduates. At the same time, the Group has launched a global management trainee recruitment plan, actively attracting talents including petroleum professionals, Arabic-speaking talents, talents from key domestic universities and overseas universities to ensure the diversity of talents. At the same time, the Group relies on the "Petrochemical Innovation Academy" to provide various online courses for all employees of the Group, covering diversified knowledge and skills such as language ability training, petroleum professional technology, QHSE, management ability and digital intelligence skills, aiming to comprehensively strengthen talent training and promotion of talent upgrading.

As at 31 December 2023, the total number of employees of the Group was 6,510, representing an increase of 681 as compared to 31 December 2022, of which 3,367 were employees overseas, accounting for 51.7% of the Group's total number of employees.

OUTLOOK

In 2024, the situation in the international energy market is still complex, but as a whole, under the influence of geopolitical conflicts, oil and gas supply shortage is expected to continue to exist. The global energy transition plan has also returned from radical to rational. The global energy system transformation goal needs to be gradually advanced on the premise of ensuring energy security, stability, affordability, and sustainability. Therefore, the "basic market" of oil and gas supply still needs to be guaranteed, the upward cycle of oil and gas industry will continue, and it will continue to transform towards intelligence and low-carbonization, making oil and gas development efficient and clean in the future. The global energy transformation has also brought new opportunities for the Group's market development.

In terms of market, the Group will continue to deepen the transformation of global business and focus on the all-round expansion of international business. The Group's market strategy emphasizes sales-driven innovation to achieve changes in growth models. Under this strategy, the Group will comprehensively strengthen its sales force, establish a proactive and growth-oriented organization, and build a comprehensive global customer resource and market network. The Group will increase its investment in technology marketing, conduct in-depth research on customer needs, jointly innovate with customers, create breakthrough contributions for customers, and focus on providing customers with comprehensive personalized solutions. The Group also emphasizes sales-driven innovation in new products and services, continuously launches new products and services, and strives to promote the implementation of new products and services to make room for growth.

In terms of products and services, the Group further launched comprehensive solutions for oil and gas development aimed at achieving sustainable development for oil companies, so as to help customers improve resource development efficiency in all aspects of oil and gas development, including eight major solutions: oil & gas development overall solution; stimulation, efficiency improvement research and optimization solution; visualized and data-based monitoring solution; oil & gas well precision engineering technology solution; oil & gas development quality and safety TIC solution; oil & gas development AI solution; oil & gas green development asset leasing solution; oil & gas development external resource platform service solution. In addition, during the year, the Group will focus on AI transformation, comprehensively promote AI services for all scenarios of oil and gas development, and integrate external technologies, computing power, large models and other artificial intelligence ecological resources based on all scenarios of oil and gas development. The Group has built an AI core team, and established and continuously optimized and upgraded Anton's AI service cloud platform to help customers achieve the implementation of AI services in all scenarios and achieve the large-scale development of the Group's AI service business.

In terms of management, the Group focuses on promoting innovation in cash flow management business models. The Group accelerates the collection of payments through the fine management of the whole process of operation and settlement, and reduces cash outflows through comprehensive cost control and fine management of the supply chain. The Group also improves liquidity through refined management of liquid assets, and reduces the occupation of liquidity through partner resource management and business financial reform. The Group uses the above measures to form a new business model that is asset-light, fast-turnover, and platform-based to continue to create healthy cash flow.

In terms of talent cultivation, the Group will further promote the recruitment and cultivation of creative talents, attract and introduce international, entrepreneurial and innovative talents externally, and strengthen the rapid growth of talents and apply the "survival of the fittest" concept internally, so as to enhance the vitality of the organization and build a team of innovative and entrepreneurial talents. With an excellent team, the Group can achieve long-term stable development.

In addition, the Group will continue to achieve the asset securitization of high-quality business, and rapidly promote the completion of the application for the listing of the inspection business in the domestic capital market. At the same time, the Group will steadily promote the asset securitization of other high-quality businesses and introduce high-quality strategic partners for common development.

The Group continues to implement sustainable development management and strives to promote green development with technology and efficient services. The Group actively fulfills its corporate social responsibilities, cultivates talents, contributes to the community, and works with all stakeholders to make progress together. With a scientific governance structure to ensure the sustainable growth of the enterprise, the Group has become a model for the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2023 was RMB4,434.8 million, representing an increase of RMB919.9 million, or 26.2%, from RMB3,514.9 million for the same period of 2022.

Costs of Sales

Cost of sales increased by 23.8% to RMB3,112.5 million in 2023, from RMB2,515.1 million for the same period of 2022, mainly due to the corresponding increase in cost as a result of revenue growth.

Other Gains, Net

During the year, the Group's other gains decreased by RMB170.4 million from RMB153.1 million in 2022 to RMB-17.3 million in 2023.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Impairment losses under the expected credit loss model, net of reversal increased from RMB-43.5 million in 2022 to RMB89.8 million in 2023.

Selling Expenses

Selling expenses for 2023 were RMB195.9 million, representing an increase of RMB22.6 million, or 13.0%, from RMB173.3 million for the same period of 2022.

Administrative Expenses

Administrative expenses for 2023 were RMB293.5 million, representing an increase of RMB29.5 million, or 11.2% from RMB264.0 million for the same period in 2022.

R&D Expenses

R&D expenses for 2023 were RMB111.7 million, representing an increase of RMB31.4 million, or 39.1% from RMB80.3 million for the same period in 2022.

Sales Taxes and Surcharges

Sales taxes and surcharges were RMB13.4 million in 2023, representing a decrease of RMB0.3 million, or 2.2%, from RMB13.7 million for the same period in 2022.

Operating Profit

The Group's operating profit for 2023 was RMB600.7 million, representing a decrease of RMB64.5 million, or 9.7%, from RMB665.2 million for the same period of 2022. The operating profit margin for 2023 was 13.5%, representing a decrease of 5.4 percentage points from 18.9% for the same period of 2022.

Financing Costs, Net

Net financing costs for 2023 were RMB195.1 million, representing a decrease of RMB56.2 million, or 22.4%, from RMB251.3 million for the same period in 2022.

Income Tax Expense

Income tax expense for 2023 was RMB187.2 million, representing an increase of RMB64.3 million, or 52.3%, from RMB122.9 million for the same period in 2022.

Profit for the Period

The Group's net profit for 2023 was RMB220.6 million, representing a decrease of RMB77.0 million or 25.9% from RMB297.6 million for the same period in 2022.

Profit Attributable to Equity Holders of the Company

The Group's revenue attributable to equity holders of the Company for 2023 was RMB196.5 million, representing a decrease of RMB97.3 million or 33.1% from RMB293.8 million for the same period in 2022.

Trade and Notes Receivable

As at 31 December 2023, the Group's net trade and notes receivables were RMB2,441.0 million, representing an increase of RMB406.4 million from 31 December 2022. The average trade receivable turnover was 169 days for 2023, representing a decrease of 29 days as compared to the same period of 2022.

Inventories

As at 31 December 2023, the Group's inventories amounted to RMB910.0 million, representing a decrease of RMB23.8 million as compared to 31 December 2022.

Liquidity and Capital Resources

As at 31 December 2023, the Group's cash and bank deposits were approximately RMB2,068.3 million (including restricted bank deposits, cash and cash equivalents), representing an increase of RMB862.4 million as compared to 31 December 2022.

As at 31 December 2023, the Group's outstanding short-term borrowings was RMB1,186.1 million. RMB977.1 million of the credit line granted to the Group by the PRC domestic banks has not been used.

As at 31 December 2023, the Group's gearing ratio was 55.7%, representing an increase of 3.8 percentage points from the gearing ratio of 51.9% as at 31 December 2022. The calculation of the gearing ratio is based on total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities, and trade and notes payable (as shown in the consolidated statement of financial position). Total capital is calculated based on equity (as shown in the consolidated statement of financial position) plus total borrowings.

As at 31 December 2023, the equity attributable to equity holders of the Company amounted to RMB3,187.5 million, representing an increase of RMB106.0 million from RMB3,081.5 million as at 31 December 2022.

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

During the twelve months ended 31 December 2023, the Group had no material acquisitions or disposals of subsidiaries, associates, or joint ventures.

Currency Risk

The Group conducts its business mainly in RMB and USD, and some of its imports and exports are settled in foreign currencies. The Group considers that the currency risk associated with the Group's settlement amounts denominated in foreign currencies is immaterial. The Group's currency risk mainly arises from its foreign currency deposits and long-term bonds and trade receivables denominated in foreign currencies. Fluctuations in the exchange rate of RMB against USD may adversely affect the Group's operating results and financial position.

Cash Flow from Operating Activities

For the twelve months ended 31 December 2023, the Group's cash flow from operating activities was a net inflow of RMB916.8 million, representing a decrease of RMB63.2 million as compared to the same period of 2022.

Capital Expenditure and Investment

For the twelve months ended 31 December 2023, the Group's capital expenditure was RMB277.0 million, representing a decrease of RMB66.1 million from the capital expenditure of RMB343.1 million in 2022.

Contractual Obligations

The Group's contractual obligations mainly consist of its capital commitments. As at 31 December 2023, the Group's capital commitments (but not yet provisioned in the consolidated statement of financial position) amounted to approximately RMB55.7 million.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2023, the Group's assets pledged for banking facilities were buildings and equipment with a net book value of RMB82.6 million, right-of-use assets with a net book value of RMB5.5 million, trade receivables with a net book value of RMB421.1 million and the restricted bank deposits of RMB20.0 million.

Off-Book Arrangements

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

The Board of the Company is pleased to present the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

The financial results of the Group for 2023 are set out on pages 70 to 160 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

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

FINAL DIVIDEND

At the Board meeting held on 28 March 2024, the Board recommend a payment of a final dividend for the year ended 31 December 2023 of RMB0.013 per Share, with the total amount of RMB39 million (2022: NIL).

BUSINESS REVIEW

Overview

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

Principal Risks and Uncertainties

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

Business Outlook

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

Key Performance Indicators

The key performance indicators are detailed in the financial review set out in the Management Discussion and Analysis on pages 24 to 26 of this annual report. This discussion constitutes a part of this Directors' Report.

Environmental Policies and Performance and Compliance with Laws and Regulations

Matters in relation to Environmental Policies and Performance and Compliance with Laws and Regulations, please refer to the "2023 Sustainability Report" which would be published separately by the Group at a later time. The discussion constitutes a part of this Director's Report.

Relationships with Employees

Please refer to the "2023 Sustainability Report" which would be published separately by the Group. The discussion constitutes a part of this Director's Report.

Relationships with Customers and Suppliers

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

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

For matters in relation to Relationships with Customers and Suppliers, Please refer to the "2023 Sustainability Report" which would be published separately by the Group. The discussions constitutes a part of this Director's Report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Group accounted for approximately 40.3% and 72.3% respectively of the Group's revenues for the year ended 31 December 2023.

For the year ended 31 December 2023, the total amount of purchases made by the Group from the largest supplier and its five largest suppliers accounted for approximately 4.8% and 13.3% respectively of the total purchases for the year. As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company has any interest in the five largest suppliers and customers.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Additions to the property, plant and equipment of the Group for the year ended 31 December 2023 totaled RMB119.6 million. Details of movements are shown under Note 6 to the consolidated financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

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

For the twelve months ended 31 December 2023, the Company repurchased a total of USD5,000,000 of the 2025 Bonds with the coupon rate of 8.75% due in 2025.

During 2023, the trustee of the Company's Restricted Stock Incentive Scheme purchased a total of 86,758,000 shares of the Company in the secondary market with cash from the Restricted Share Incentive Scheme, representing 2.9% of the total number of issued shares of the Company as at the date of this announcement.

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in Notes 15 and 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution amounted to RMB1,049.6 million.

BOND AND SENIOR NOTES

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

EQUITY-LINKED AGREEMENTS

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Huang Song	(appointed on 31 December 2020)

Independent Non-executive Directors

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

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

Mr. Huang Song, being the Non-executive Director, has entered into a letter of appointment with the Company under which he will act as a Non-executive Director for a period of 3 years with effect from 31 December 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Zhang Yongyi and Mr. Zhu Xiaoping, being the Independent Non-executive Directors, has renewed their letter of appointment with the Company for a term of one year commencing from 9 January 2024, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

REMUNERATION OF DIRECTORS

In compliance with the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules, the Company has established a remuneration committee (the "Remuneration Committee") to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Director's remuneration structure may include a director's fee, a fixed salary, share options and performance bonus. The Directors' remuneration is determined by the Board with reference to the Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 37 to the consolidated financial statements of this Annual Report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules were as follows:

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

Name of Director	Note	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
LUO Lin	1, 2	Founder of a discretionary trust and beneficial owner	748,240,330	24.88%
PI Zhifeng	2	Beneficial owner	8,478,000	0.28%
FAN Yonghong	2	Beneficial owner	30,120,000	1.00%
ZHANG Yongyi	2	Beneficial owner	3,940,000	0.13%
ZHU Xiaoping	2	Beneficial owner	3,500,000	0.11%
WEE Yiaw Hin	2	Beneficial owner	3,500,000	0.11%
Huang Song	2	Beneficial owner	1,300,000	0.04%

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Butterfield Trust (Asia) Limited ("Butterfield") holds 100% equity interest in Avalon Assets Limited. Butterfield is a trustee of the Loles Trust. Mr. LUO Lin is the founder of Loles Trust, of which Mr. LUO Lin and his family are the beneficiaries. Under the Securities and Futures Ordinance, Butterfield and Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.

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

Save as disclosed above, at no time during the year ended 31 December 2023, the Directors and chief executive (including their spouses and children under the age of 18 years) had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, its particular undertakings or its associated corporations as required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, so far was known to any Director or the chief executive, the substantial shareholders, other than the Directors or the chief executive of the Company, who had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

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

Notes:

1. Pro Development Holdings Corp. is a company wholly-owned by Avalon Assets Limited and holds 664,140,740 Shares; Butterfield Trust (Asia) Limited ("Butterfield") holds 100% equity interest in Avalon Assets Limited. Butterfield is a trustee of the Loles Trust. Mr. LUO Lin is the founder of Loles Trust, of which Mr. LUO Lin and his family are the beneficiaries. Under the Securities and Futures Ordinance, Butterfield and Avalon Assets Limited are deemed to be interested in the shares held by Pro Development Holdings Corp.

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

Save as disclosed above, as at 31 December 2023, so far was known to the Directors, no other persons (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 26 May 2017. For the year ended 31 December 2023, there is no new share option has been granted. The purpose of the Share Option Scheme is to grant option to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or agents.

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

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

As at 31 December 2023, the total number of shares available for issue was 266,006,925, representing 8.8% of the issued share capital of the Company, among which 18,060,000 shares were share options available to be granted, and 247,946,925 shares were outstanding options.

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

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

As at 31 December 2023, the remaining life of the Share Option Scheme was approximately four years and five months.

As at 31 December 2023, the Directors individually and other employees in aggregate of the Company had the following interests in options to subscribe for shares of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company of HK$0.10 each. Details of the movements in the number of share options during the year ended 31 December 2023 under the Share Option Scheme are as follows:

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK$	Notes	Number of share options as at 1 January 2023	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 31 December 2023
Directors										
LUO Lin	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	442,000	-	-	-	442,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	2,218,000	-	-	-	-	2,218,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	784,922	-	-	-	-	784,922
				Subtotal:	3,444,922	-	-	-	442,000	3,002,922
PI Zhifeng	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	3,000,000	-	-	-	3,000,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	2,600,000	-	-	-	-	2,600,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	2,600,000	-	-	-	-	2,600,000
				Subtotal:	8,200,000	-	-	-	3,000,000	5,200,000
FAN Yonghong	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	2,700,000	-	-	-	2,700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	3,500,000	-	-	-	-	3,500,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	4,020,000	-	-	-	-	4,020,000
				Subtotal:	10,220,000	-	-	-	2,700,000	7,520,000
ZHANG Yongyi	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal:	2,100,000	-	-	-	700,000	1,400,000

Grantees	Date of grant of share options	Exercise period of share options	Exercise price per share: HK$	Notes	Number of share options as at 1 January 2023	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options as at 31 December 2023
ZHU Xiaoping	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal:	2,100,000	-	-	-	700,000	1,400,000
WEE Yiaw Hin	23 May 2017	23 May 2018 to 22 May 2023	0.810	2,3	700,000	-	-	-	700,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	2,4	700,000	-	-	-	-	700,000
	7 January 2019	7 January 2020 to 6 January 2025	0.790	2,5	700,000	-	-	-	-	700,000
				Subtotal:	2,100,000	-	-	-	700,000	1,400,000
Employees in aggregate	23 May 2017	23 May 2018 to 22 May 2023	0.810	1,3	77,480,000	-	-	-	77,480,000	-
	3 April 2018	3 April 2019 to 2 April 2024	1.020	1,4	45,915,333	-	-	-	730,000	45,185,333
	7 January 2019	7 January 2020 to 6 January 2025	0.790	1,5	70,309,078	-	-	-	910,000	69,399,078
	1 April 2020	1 April 2021 to 31 March 2026	0.495	1,6	113,439,592	-	-	-	-	113,439,592
				Subtotal:	307,144,003	-	-	-	79,120,000	228,024,003
				Total	335,308,925	-	-	-	87,362,000	247,946,925

Notes:

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

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

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

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

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

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

* Source from website of the Stock Exchange

RESTRICTED SHARE AWARD SCHEME

On 30 December 2019, the Board has resolved to adopt the Restricted Share Award Scheme the ("Scheme"), which is a scheme funded by existing shares purchased by the Trustee on the secondary market. The total number of shares that may be granted under the Scheme may not exceed 10% of the current total number of Shares in issue, and the Scheme will be implemented by purchasing shares on the secondary market. The Scheme will be valid and effective for a period of ten years from the approval date of the Scheme and all eligible participants are entitled to participate in the Scheme. During the reporting period, over 100 employees in key positions including Directors were granted Restricted Share Awards. As of 31 December 2023, the remaining life of the Restricted Share Award Scheme was approximately 6 years.

Objectives

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

ADMINISTRATION

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

VESTING AND LAPSE

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

The following table summarises the movement in the Company's Awarded Shares which were granted under the Scheme during the reporting period. Save as stated below, during the year ended 31 December 2023, there were no Award Shares granted, vested or lapsed under the Restricted Share Award Scheme.

Name of Participant	Date of Grant	Note	Number of Awarded shares	Granted but unvested as at 1 January 2023	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 31 December 2023	Closing price of shares on the Hong Kong Stock Exchange before the date of grant (HK$)	Fair value at the date of grant (HK$)	Weighted average price on the day immediately prior to the date of vesting (HK$)
Directors										
LUO Lin	1 January 2021	1,3	8,800,000	2,933,334	2,933,334	-	-	0.435	0.435	0.437
	15 July 2022	1	7,100,000	4,733,333	2,366,666	-	2,366,667	0.425	0.410	0.345
	22 November 2023	1	7,100,000	-	-	-	7,100,000	0.440	0.435	0.440
		Subtotal	23,000,000	7,666,667	5,300,000	-	9,466,667	/	/	/
PI Zhifeng	1 January 2021	1,3	2,800,000	933,334	933,334	-	-	0.435	0.435	0.437
	15 July 2022	1	2,200,000	1,466,667	733,333	-	733,334	0.425	0.410	0.345
	22 November 2023	1	2,200,000	-	-	-	2,200,000	0.440	0.435	0.440
		Subtotal	7,200,000	2,400,001	1,666,667	-	2,933,334	/	/	/

Name of Participant	Date of Grant	Note	Number of Awarded shares	Granted but unvested as at 1 January 2023	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 31 December 2023	Closing price of shares on the Hong Kong Stock Exchange before the date of grant (HK$)	Fair value at the date of grant (HK$)	Weighted average price on the day immediately prior to the date of vesting (HK$)
FAN Yonghong	1 January 2021	1,3	5,600,000	1,866,666	1,866,666	-	-	0.435	0.435	0.437
	15 July 2022	1	4,500,000	3,000,000	1,500,000	-	1,500,000	0.425	0.410	0.345
	22 November 2023	1	4,500,000	-	-	-	4,500,000	0.440	0.435	0.440
		Subtotal	14,600,000	4,866,666	3,366,666	-	6,000,000	/	/	/
ZHANG Yongyi	1 January 2021	2,3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2,3	650,000	325,000	325,000	-	-	0.425	0.410	0.345
	22 November 2023	2	650,000	-	-	-	650,000	0.440	0.435	0.440
		Subtotal	2,100,000	325,000	325,000	-	650,000	/	/	/
ZHU Xiaoping	1 January 2021	2,3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2,3	650,000	325,000	325,000	-	-	0.425	0.410	0.345
	22 November 2023	2	650,000	-	-	-	650,000	0.440	0.435	0.440
		Subtotal	2,100,000	325,000	325,000	-	650,000	/	/	/
WEE Yiaw Hin	1 January 2021	2,3	800,000	-	-	-	-	0.435	0.435	0.437
	15 July 2022	2,3	650,000	325,000	325,000	-	-	0.425	0.410	0.345
	22 November 2023	2	650,000	-	-	-	650,000	0.440	0.435	0.440
		Subtotal	2,100,000	325,000	325,000	-	650,000	/	/	/

Name of Participant	Date of Grant	Note	Number of Awarded shares	Granted but unvested as at 1 January 2023	Number of shares vested during the reporting period	Number of shares lapsed during the reporting period	Granted but unvested as at 31 December 2023	Closing price of shares on the Hong Kong Stock Exchange before the date of grant (HK$)	Fair value at the date of grant (HK$)	Weighted average price on the day immediately prior to the date of vesting (HK$)
HUANG Song	15 July 2022	2,3	650,000	325,000	325,000	-	-	0.425	0.410	0.345
	22 November 2023	2	650,000	-	-	-	650,000	0.440	0.435	0.440
		Subtotal	1,300,000	325,000	325,000	-	650,000	/	/	/
Employees in aggregate	1 January 2021	1,3	66,830,000	20,010,001	19,776,667	233,334	-	0.435	0.435	0.437
	15 July 2022	1	59,330,000	39,303,333	18,810,000	1,500,000	18,993,333	0.425	0.410	0.345
	22 November 2023	1	69,600,000	-	-	-	69,600,000	0.440	0.435	0.440
		Subtotal	195,760,000	59,313,334	38,586,667	1,733,334	88,593,333	/	/	/
		Total	248,160,000	75,546,668	50,220,000	1,733,334	109,593,334	/	/	/

Notes:

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

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

3. The Awarded Shares had been fully vested.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Listing Rules during the year ended 31 December 2023.

ARRANGEMENTS TO ACQUIRE SHARE OR DEBENTURES

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

DIRECTOR'S SECURITIES TRANSACTIONS

The directors of the Company (the "Directors") have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of practice for securities transactions by the Directors. Having made specific inquiry with all the Directors, the Company confirms that all Directors have fully complied with the applicable requirements stipulated in the said Code throughout the reporting period.

TAXATION

For the year ended 31 December 2023, no foreign shareholder who is not resident of the PRC is liable for individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS

The related party transactions for the year ended 31 December 2023 are set out in Note 34 to the Financial Statements of this Annual Report. None of the related party transactions constitute connected transaction or continuing connected transactions subject to independent shareholders' approval, annual review and will disclosure requirements in Chapter 14A of the Listing Rules.

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company has amended its memorandum and articles of association on 25 May 2023.

An up to date version of the Company's amended and restated memorandum and articles of association is also available on the Company's website and the Stock Exchange's website.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 24 May 2024 (Friday) and the notice of the AGM will be published and dispatched to the shareholders of the Company in due course in the form prescribed under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from 21 May 2024 (Tuesday) to 24 May 2024 (Friday), both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 20 May 2024 (Monday).

The register of members of the Company will be closed from 30 May 2024 (Thursday) to 3 June 2024 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 29 May 2024 (Wednesday).

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three Independent Non-executive Directors, namely, Mr. Zhu Xiaoping (Chairman of the Audit Committee), Mr. Zhang Yongyi and Mr. WEE Yiaw Hin. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2023.

AUDITORS

The consolidated financial statements for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu, who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Luo Lin
Chairman

25 April 2024

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LUO Lin (羅林), aged 56, is the Chairman and the founder of the Group, fully responsible for the Group's development strategy, innovation launch, strategic resource management, fully support the Group's work, focusing on supporting the development of major projects. Prior to establishing the Group, Mr. Luo worked at the Tarim Basin from 1992 to 1999. Mr. Luo has 32 years of experience in the petroleum industry. He has an Executive Master of Business Administration (EMBA) degree from Tsinghua University and a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院). Mr. Luo is also a certified lawyer and a chartered accountant in the PRC.

PI Zhifeng (皮至峰), aged 45, is the Executive Director and Chief Executive Officer of the Company, responsible for the Group's strategic management, capital market, international strategic customer development, asset leasing business. Mr. Pi joined the Group in 2004, and was responsible for the management of strategies, business establishment and capital market. Prior to joining the Group, Mr. Pi was responsible for investment in China Chengxin Financial Consultancy Co., Ltd (中誠信財務顧問有限公司). Mr. Pi has a Master of Business Administration degree from the University of Chicago Booth School of Business in the U.S.

FAN Yonghong (范永洪), aged 53, is the Executive Director, the President and Chief Technology Officer of the Company, and is responsible for daily operations of the Company and technical construction, including operation management, product research and development, technical cooperation and development, market business, and human resource management. Mr. Fan joined the Group in 2004, and was responsible for the setup and technical construction of the well service business and the management of business clusters of the Group. Prior to joining the Group, Mr. Fan was employed by PetroChina Tarim Oilfield Company (中石油塔里木油田分公司) between 1991 and 2004. He has 33 years of experience in the petroleum industry. Mr. Fan has an Executive Master of Business Administration (EMBA) degree from China Europe International Business School (CEIBS).

NON-EXECUTIVE DIRECTOR

HUANG Song (黃松), aged 61, is the Non-executive Director of the Company, is also a senior engineer of water supply and drainage who is an inventor of many patents in the industry and won the first prize of Science and Technology progress of Petro China. Mr. Huang acted as the Chairman and General Manager of Beijing Oil HBP Technology Co., Ltd from 1998 to 2009, he was also the former Chairman of China Oil HBP Science & Technology Co., Ltd ("China Oil HBP") from 2009 to 2019 and is currently the Vice Chairman and General Manager of China Oil HBP. Mr. Huang was appointed as an Engineer and Senior Engineer in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec from 1986 to 1998. Before his career in The Investigation and Design Research Institute of Henan Petroleum Exploration Bureau of Sinopec, he served in Henan Oilfield Drilling Company and Oil Recovery Technology Research Institute from 1981 to 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yongyi (張永一), aged 87, is the Independent Non-executive Director of the Company. Mr. Zhang has extensive experience in the petroleum industry. Mr. Zhang was appointed as the Deputy General Manager of CNPC in 1992. Prior to this, he had taught in the Southwest Petroleum Institute (西南石油學院) for more than 32 years. Mr. Zhang was appointed as Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000 and appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998.

ZHU Xiaoping (朱小平), aged 75, is the Independent Non-executive Director. Mr. Zhu has extensive experience in corporate finance and is currently an Accounting Professor of the Renmin University of China (中國人民大學). He served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Audit Society (中國審計學會理事).

Wee Yiaw Hin, aged 65, is the Independent Non-executive Director. Mr. Wee has more than 35 years of experience in the Oil & Gas Industry. He spent 21 years in Shell in Malaysia and Overseas, and joined PETRONAS as Executive Vice President and Chief Executive Officer of Upstream Business in May 2010. Mr. Wee was Executive Director and Executive Committee member of the board of PETRONAS Group. Mr. Wee graduated as a Civil Engineer and holds a Masters' Degree of Science from Imperial College, UK.

SENIOR MANAGEMENT

SHEN Haihong (沈海洪), aged 54, is an Executive Vice President of the Company, and is in charge of legal affairs and compliance management of the Group, assisting the chairman of the board of directors in charge of the group's audit and supervision department. Mr. Shen joined the Group in 2007, and was in charge of the tubular service cluster as well as operational management of the Group. Prior to joining the Group, Mr. Shen was employed by CNPC between 1991 and 2006. He has more than 33 years of experience in the petroleum industry. Mr. Shen has a Master of Business Administration degree from Tsinghua University.

XU Hongjian (徐宏劍), aged 42, The chief financial officer of the company, is in charge of the Group's financial management, fund management, intelligent operation and management, responsible for financial resource management, participates in capital market work. Mr. Xu joined the Group in 2006 and was responsible for the financial work, risk control and marketing of the Group. Prior to joining the Group, from 2003 to 2006, Mr. Xu worked at Deloitte & Touche LLP and was engaged in financial audit. Mr. Xu holds a bachelor's degree in finance from Fudan University, and an Executive Master of Business Administration degree (EMBA) from Tsinghua University.

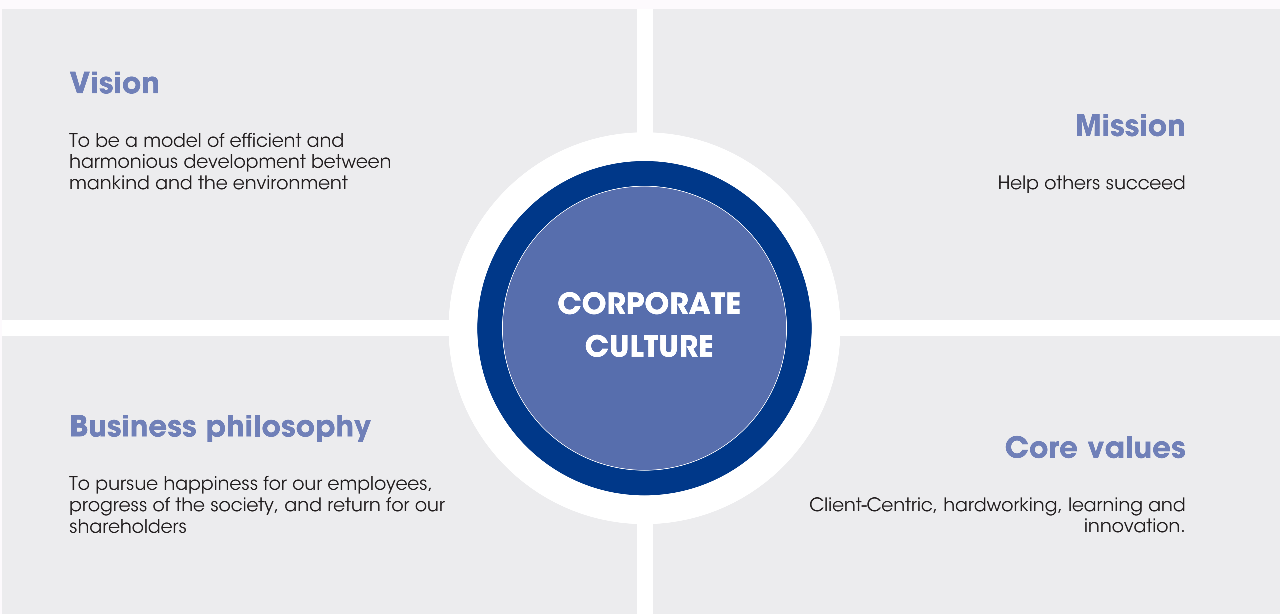
CORPORATE GOVERNANCE REPORT

Since the listing of its shares on the Stock Exchange on 14 December 2007, the Company is committed to maintaining a high standard of corporate governance and has adopted the code provisions (the "Code Provision(s)") under Appendix C1 to the Listing Rules as its own code. The Company has been in compliance with all the applicable Code Provisions for the year ended 31 December 2023.

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

CORPORATE CULTURE

The Company always adheres to the corporate vision of "becoming a model for the efficient and harmonious development between mankind and the environment", and works hand in hand with industry ecological partners to provide technological innovation breakthroughs and create breakthrough contributions to the efficient development of oil and gas resources, increase production and reduce costs. On the basis of maintaining the security and stability of the supply chain of the energy industry, we also promote the green and low-carbon transformation of the industry and the sustainable development of the industry. On the social front, we share and create with partners from all walks of life. In terms of talent recruitment, we emphasize internationalization and diversification. We create an equal and inclusive workplace environment for our employees and attach great importance to talent cultivation and development. We insist on integrity management and are committed to realizing sustainable development of the enterprise.



For details about corporate culture and related measures of the Company, please refer to "Sustainability Report" of the Company.

CORPORATE GOVERNANCE STRUCTURE

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

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

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

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

BOARD OF DIRECTORS

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

Board Composition

The Board of the Company comprises the following Directors:

Executive Directors

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

Non-executive Director

Mr. HUANG Song

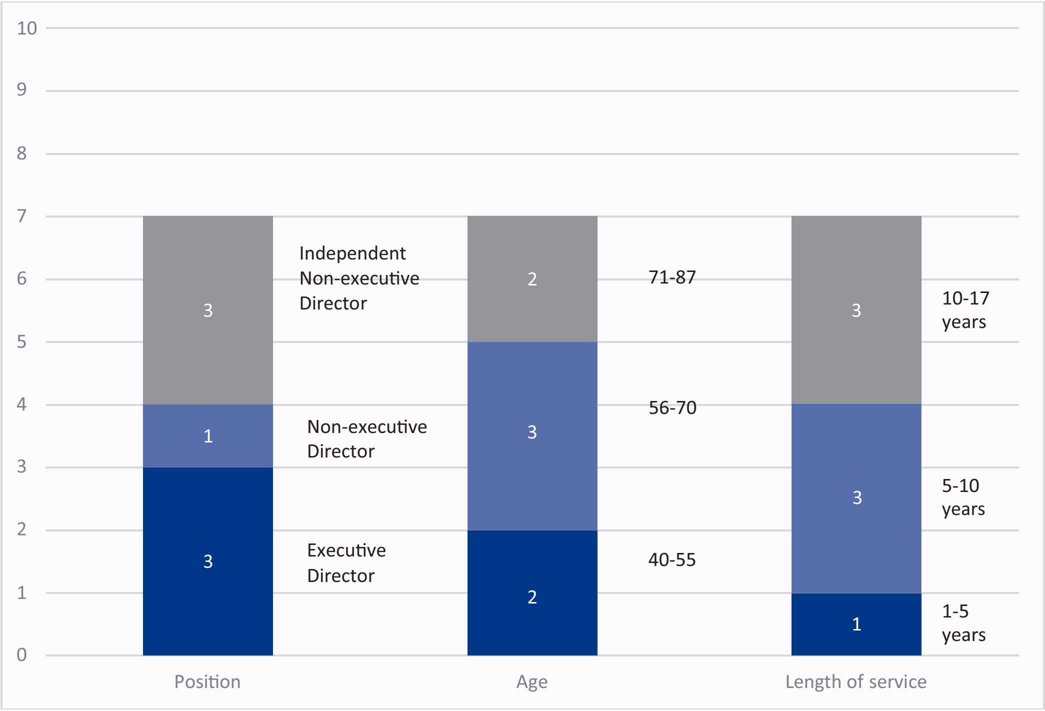
Independent Non-executive Directors

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

The biographical information of the Directors are set out on pages 44 to 45 of this Annual Report. None of the members of the Board is related to one another.

Board Diversity

The Board recognized the benefits of diversity in the Board in enhancing the Board's effectiveness. In this regard, the Board has adopted a Board Diversity Policy (the "Board Diversity Policy") in August 2013 which sets out the approach to achieve diversity on the Board. The Nomination Committee will give consideration to a number of factors as set out in the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service. Details on the biographies and experience of the Directors are set out on page 44 to page 45 of this annual report.



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

Gender Diversity

The Company values gender diversity at each level of the Group. However, due to the nature of work in the oil and gas industry, the Group currently has relatively more male employees and relatively few female employees. As of the date of this report, about 15% of middle management employees are female employees, and about 10% of other employees are female employees.

The Board is committed to improving the gender diversity of the Board of Directors, senior management and other employees. During 2023, the Board has convened a meeting to discuss issues relating to gender diversity of the Board and the management, and set criteria to start identifying suitable candidates, and will hire at least one female director by the end of 2024, while continuing to increase the proportion of female employees of its senior management, middle management and other employees.

Details on the gender ratio of the Group together with relevant data can be found in the Sustainability Report on pages 49 to 51.

Chairman and Chief Executive Officer

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

Independent Non-Executive Directors

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

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

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

Independence of the Board

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

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

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

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

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

The Board considered the said mechanisms have been operating effectively.

Appointment and Re-Election of The Directors

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

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

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

Corporate Governance Functions

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

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

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

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

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

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

The following is a summary of the work performed by the Board on corporate governance functions during 2023:

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

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

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

(d) Reviewed the Board composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code (the "Model Code") set out in Appendix C3 to the Listing Rules as its own code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirms that all the Directors have fully complied with the required standards stipulated in the Model Code during the year.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2023, the Directors confirmed that they have complied with the Code Provision C.1.4 on Directors' training. During the year, all the Directors have participated in continuous professional development by attending seminars and/or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

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

Notes:

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

BOARD/BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The Company established the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee. During the reporting year, the Company had convened 6 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meetings, 1 Nomination Committee meeting and 1 ESG committee meeting. Also, the Company had convened an Annual General Meeting during the reporting year.

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

	Meeting attendance/number of meetings					
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	Annual General Meeting
Executive Directors						
Mr. Luo Lin (Chairman of the Board)	6/6	N/A	1/1	1/1	1/1	1/1
Mr. Pi Zhifeng (Chief Executive Officer)	6/6	2/2	N/A	N/A	1/1	1/1
Mr. Fan Yonghong (President)	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Huang Song	6/6	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Zhang Yongyi	6/6	2/2	N/A	1/1	N/A	1/1
Mr. Zhu Xiaoping	6/6	2/2	1/1	N/A	N/A	1/1
Mr. Wee Yiaw Hin	6/6	2/2	1/1	1/1	N/A	1/1

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

	1st Quarterly Meeting	2nd Quarterly Meeting	3rd Quarterly Meeting	4th Quarterly Meeting
Date	18 January 2023	10 April 2023	12 July 2023	13 October 2023

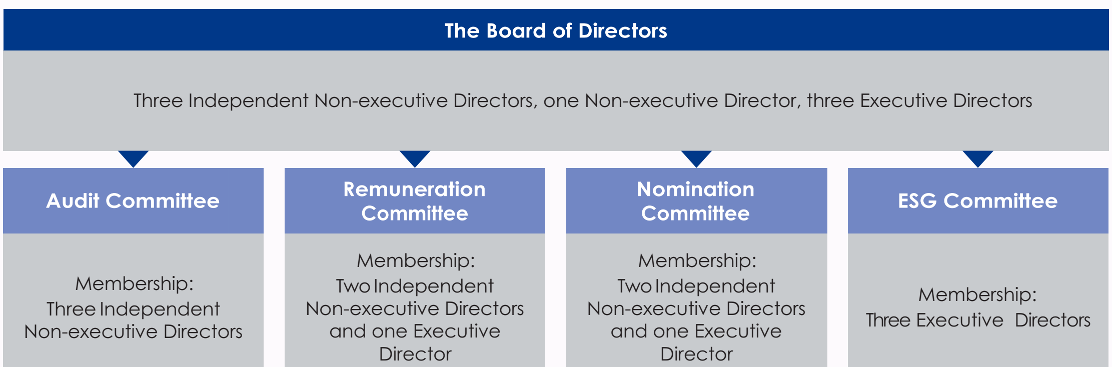
MONTHLY MANAGEMENT REPORT

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

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

BOARD COMMITTEES

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



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

Audit Committee

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

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

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

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

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

The Audit Committee held 2 meetings during 2023 and the following major matters were reviewed and discussed in the meetings:

(a) Reviewed the Group's annual results of 2022 and the interim results of 2023 and made recommendations to the Board for approval;

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

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

Remuneration Committee

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

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

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

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

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

The Remuneration Committee is responsible for ensuring appropriate formality, transparency to the Shareholders and a formal and transparent procedure is in place for developing an appropriate executive remuneration policy and a competitive framework for determining the remuneration packages of Directors and key management personnel. The RC recommends for the Board's endorsement, a framework of remuneration, including but not limited to, fees, salaries, allowances, bonuses, options and benefits-in-kind for the Directors and key management personnel. No Director is involved in any decision-making relating to his/her own compensation. The Company will also engage a third-party remuneration consultant, on a regular basis or as requested by the RC, to review and make recommendations on the remuneration framework and level for the Directors and key management personnel. According to the Company's current remuneration plan, the Company did not engage a third-party remuneration consultant in 2023.

The Remuneration Committee held 1 meeting during 2023 and reviewed overall remuneration structure adjustment and the performance based incentive mechanism of the Group.

Nomination Committee

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

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

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

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

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

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

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

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

Appointment of New Director

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

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

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

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

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

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

The Nomination Committee held 1 meeting during 2023 to discuss the current structure of the Board of Directors and discuss the candidates for nominations to the Board of Directors. During the year ended 31 December 2023, no candidate was nominated for directorship.

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) COMMITTEE

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

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

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

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

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

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

The ESG Committee held 1 meeting during 2023 to reviewing and discuss the Company's work on ESG and planning the forthcoming work.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 December 2023 was set out below:

Remuneration ban	Number of individuals
HK$3,000,001 – HK$3,500,001	2

ACCOUNTABILITY AND AUDIT

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

The declaration of duties by the Auditors of the Group on the Group's financial statements is contained on pages 65 to 160 of the Independent Auditor's Report.

AUDITOR'S REMUNERATION

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

	2023 **RMB'000**
Audit services	**6,200**
Non-audit services	**300**
Total:	**6,500**

COMPANY SECRETARY

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

Ms. Au-Yeung has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

In 2023, the Company had convened one annual general meeting (the "2023 AGM"). The 2023 AGM provided an ideal chance for communication between the Board and the shareholders. The Chairmen of the Board, Audit Committee, Remuneration Committee and Nomination Committee and the Company's external auditor were all present at the AGM held on 25 May 2023, to answer shareholders' inquiries.

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

Pursuant to the Article 79 of the Articles of Association of the Company: General meetings shall also be convened on the written requisition of one or more members (including a recognized clearing house (or its nominees)) of the Company deposited at the principal office of the Company in Hong Kong which is presently situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the voting rights at general meetings, on a one vote per share basis, in the share capital of the Company, and such requisitionists(s) may add resolutions to the agenda of a meeting.

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

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves, may convene the general meeting a physical meeting at only one location which will be the Principal Meeting Place, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

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

The annual general meeting and other general meetings provide an important opportunity for shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings. The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer shareholders' questions. Shareholders attending at the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has amended its memorandum and articles of association on 25 May 2023. Details of the amendments are set out in the Company's circular dated 24 April 2023.

An up to date version of the Company's amended and restated memorandum and articles of association is also available on the Company's website and the Stock Exchange's website.

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

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

Computershare Hong Kong Investor Services Limited

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

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

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

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

DIVIDEND POLICIES

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

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

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

DISCLAIMERS

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

FINANCIAL CALENDAR 2024

Final Results Announcement For 2023

28 March 2024

Last Day to Register for Attending 2024 Annual General Meeting

20 May 2024

2024 Annual General Meeting

24 May 2024

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Anton Oilfield Services Group (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 160, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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 2023, 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.

BASIS FOR OPINION

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

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from provision of services	
We identified revenue recognition from provision of services as a key audit matter due to the significance of revenue generated from provision of services and the inherent risk of manipulating revenue recognition from provision of services by the management. As disclosed in Note 21, the Group is mainly engaged in provision of services through contracts with its customers. Revenue from provision of services amounting to RMB3,998,123,000 for the year ended 31 December 2023 accounted for 90.2% of the Group's total revenue in the consolidated statement of profit or loss. Details of revenue recognition from provision of services and its accounting policies are set out in Note 21 and Note 3, respectively, to the consolidated financial statements.	Our procedures in relation to revenue recognition from provision of services included: • understanding and evaluating the key internal controls relevant to the audit on revenue recognition from provision of services; • examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations and the associated revenue recognition; • obtaining confirmations for the services provided to the selected major customers; and • inspecting, on a sample basis, the customer acceptance documents, the contracts and invoices evidencing that the performance obligations of services were satisfied and control was transferred.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

		As at 31 December	
	Notes	**2023**	2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,808,227**	1,970,846
Right-of-use assets	7	**116,027**	134,089
Investment properties		**3,801**	5,294
Goodwill	8	**253,630**	253,630
Intangible assets	9	**333,081**	317,615
Interest in a joint venture		**2,570**	2,399
Interests in associates		**29,641**	27,642
Financial assets at fair value through profit or loss	33.4	**91,310**	30,000
Prepayments and other receivables	12	**120,600**	118,559
Deferred income tax assets		**24,452**	20,851
		2,783,339	2,880,925
Current assets			
Inventories	10	**910,021**	933,832
Trade and notes receivables	11	**2,441,035**	2,034,610
Contract assets	21(ii)(a)	**24,728**	22,486
Prepayments and other receivables	12	**1,579,486**	905,041
Restricted bank deposits	13	**482,379**	477,997
Cash and cash equivalents	13	**1,585,886**	727,904
		7,023,535	5,101,870
Total assets		**9,806,874**	7,982,795
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	**276,274**	276,274
Reserves	15	**2,911,265**	2,805,200
		3,187,539	3,081,474
Non-controlling interests		**233,347**	219,335
Total equity		**3,420,886**	3,300,809

As at 31 December 2023
(Amounts expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

		As at 31 December	
	Notes	**2023**	2022
LIABILITIES			
Non-current liabilities			
Long-term bonds	16	**787,515**	801,835
Long-term borrowings	17	**340,918**	47,113
Lease liabilities	18	**23,380**	28,499
Deferred income tax liabilities		**13,518**	13,586
		1,165,331	891,033
Current liabilities			
Short-term borrowings	17	**1,186,110**	1,139,732
Current portion of long-term bonds	16	**29,959**	30,771
Current portion of long-term borrowings	17	**97,262**	48,617
Trade and notes payables	19	**1,819,924**	1,449,092
Accruals and other payables	20	**1,717,749**	861,665
Lease liabilities	18	**12,720**	20,515
Contract liabilities		**73,760**	17,241
Current income tax liabilities		**283,173**	223,320
		5,220,657	3,790,953
Total liabilities		**6,385,988**	4,681,986
Total equity and liabilities		**9,806,874**	7,982,795

The consolidated financial statements on pages 70 to 160 were approved and authorised for issue by the Board of Directors on 28 March 2024 and were signed on its behalf by:

Chairman	*Executive Director*
Luo Lin	**Pi Zhifeng**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	**2023**	2022
Revenue			
Goods and services	21	**4,269,950**	3,310,509
Rental	21	**164,848**	204,403
Total revenue	21	**4,434,798**	3,514,912
Cost of sales	22	**(3,112,486)**	(2,515,103)
Gross profit		**1,322,312**	999,809
Other (loss)/gains, net	23	**(17,286)**	153,114
Impairment losses under expected credit loss model, net of reversal	24	**(89,819)**	43,500
Selling expenses	22	**(195,914)**	(173,324)
Administrative expenses	22	**(293,540)**	(263,983)
Research and development expenses	22	**(111,669)**	(80,277)
Sales tax and surcharges		**(13,398)**	(13,688)
Operating profit		**600,686**	665,151
Interest income	25	**26,849**	17,957
Finance expenses	25	**(221,978)**	(269,250)
Finance costs, net	25	**(195,129)**	(251,293)
Share of profit/(loss) of a joint venture		**171**	(307)
Share of profit of associates		**1,999**	6,951
Profit before income tax		**407,727**	420,502
Income tax expense	27	**(187,167)**	(122,911)
Profit for the year		**220,560**	297,591
Profit attributable to:			
Owners of the Company		**196,513**	293,810
Non-controlling interests		**24,047**	3,781
		220,560	297,591
Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
– Basic	28	**0.0675**	0.1013
– Diluted	28	**0.0666**	0.0990

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	**2023**	2022
Profit for the year		**220,560**	297,591
Other comprehensive income/(expense), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net investment hedge	15(b)	**(13,656)**	(182,165)
Financial instruments measured at fair value through other comprehensive income		**(350)**	4,898
Currency translation differences	15(a)	**15,935**	338,238
Other comprehensive income for the year, net of tax		**1,929**	160,971
Total comprehensive income for the year		**222,489**	458,562
Total comprehensive income attributable to:			
– Owners of the Company		**199,050**	454,781
– Non-controlling interests		**23,439**	3,781
		222,489	458,562

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

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

For the year ended 31 December 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Notes	Attributable to the owners of the Company									
		Share capital	Treasury shares	Share premium	Capital reserve Note 15(d)	Statutory reserve Note 15(c)	Retained earnings	Other reserves	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2023		276,274	(33,459)	1,049,578	483,716	76,900	1,358,563	(130,098)	3,081,474	219,335	3,300,809
Comprehensive income											
Profit for the year		-	-	-	-	-	196,513	-	196,513	24,047	220,560
Other comprehensive income/(expense)											
– Net investment hedge	15(b)	-	-	-	-	-	-	(13,656)	(13,656)	-	(13,656)
– Financial instruments measured at fair value through other comprehensive income		-	-	-	-	-	-	(350)	(350)	-	(350)
– Currency translation differences	15(a)	-	-	-	-	-	-	16,543	16,543	(608)	15,935
Total comprehensive income		-	-	-	-	-	196,513	2,537	199,050	23,439	222,489
– Repurchase of ordinary shares	14	-	(35,500)	-	-	-	-	-	(35,500)	-	(35,500)
– Share option scheme and restricted share award scheme	14	-	-	-	12,954	-	-	-	12,954	-	12,954
– Vesting of shares under restricted share award scheme		-	18,532	-	(18,532)	-	-	-	-	-	-
– Acquisition of non-controlling interests in a subsidiary		-	-	-	-	-	-	(9,866)	(9,866)	(70,000)	(79,866)
– Changes in ownership interests in subsidiaries without loss of control	20	-	-	-	-	-	-	36,957	36,957	60,573	97,530
– Recognition of put option	20	-	-	-	-	-	-	(97,530)	(97,530)	-	(97,530)
Total transactions with owners, recognised directly in equity		-	(16,968)	-	(5,578)	-	-	(70,439)	(92,985)	(9,427)	(102,412)
Balance at 31 December 2023		276,274	(50,427)	1,049,578	478,138	76,900	1,555,076	(198,000)	3,187,539	233,347	3,420,886

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Amounts expressed in thousands of RMB, unless otherwise stated)

		Year ended 31 December	
	Notes	**2023**	2022
Cash flows from operating activities			
Net cash inflows from operations	30	**1,023,856**	1,052,614
Interest received		**23,903**	5,705
Income tax paid		**(130,983)**	(78,362)
Net cash generated from operating activities		**916,776**	979,957
Cash flows from investing activities			
Purchase of property, plant and equipment		**(170,508)**	(164,487)
Proceeds from disposal of property, plant and equipment		**6,624**	1,688
Purchase of intangible assets		**(53,420)**	(65,478)
Proceeds from disposal of an associate		**-**	2,017
Investment in an associate		**-**	(18,690)
Net cash paid for acquisition of a subsidiary		**(30,687)**	(20,438)
Purchases of financial assets at fair value through profit or loss		**-**	(30,000)
Cash paid relating to other investing activities		**(28,989)**	(47,710)
Net cash used in investing activities		**(276,980)**	(343,098)
Cash flows from financing activities			
Proceeds from short-term borrowings		**1,494,916**	1,287,000
Repayments of short-term borrowings		**(1,449,000)**	(867,050)
Proceeds from long-term borrowings		**403,000**	48,000
Repayments of long-term borrowings		**(61,500)**	(83,500)
Repayments of long-term bonds		**-**	(590,853)
Repurchase of long-term bonds		**(34,733)**	(754,554)
Repayments of lease liabilities		**(25,755)**	(35,338)
Interest paid		**(140,336)**	(210,889)
Cash paid to non-controlling interests for additional equity interest in a subsidiary		**(68,621)**	(11,245)
Proceeds from disposal of interests in a subsidiary without loss of control	20	**97,530**	155,280
Repurchase of ordinary shares	14	**(35,500)**	(11,207)
Placement of restricted bank deposits	13	**(20,000)**	(51,825)
Withdraw of restricted bank deposits	13	**51,825**	–
Net cash generated from/(used in) financing activities		**211,826**	(1,126,181)
Net increase/(decrease) in cash and cash equivalents		**851,622**	(489,322)
Cash and cash equivalents at beginning of the year		**727,904**	1,173,186
Exchange gain on cash and cash equivalents		**6,360**	44,040
Cash and cash equivalents at end of the year		**1,585,886**	727,904

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

1. GENERAL INFORMATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the "PRC") and other overseas countries. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2007.

The directors of the Company (the "Directors") regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

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

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

3 Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation

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

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

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

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

Separate financial statements

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Segment reporting

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill

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

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

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

Intangible assets

Computer software

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Intangible assets *(Continued)*

Patents

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Debt instruments/receivables classified as at FVTOCI

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

(iii) Financial assets at FVTPL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

Offsetting financial instruments

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

Financial liabilities and equity

Classification as debt or equity

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

Financial liabilities at amortised cost

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

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

Share capital

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

Hedging activities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Hedging activities *(Continued)*

Assessment of hedging relationship and effectiveness

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

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

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

Net investment hedge

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Inventories

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

Cash and cash equivalents

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

Borrowing costs

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

Current and deferred income tax

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

Current income tax

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Current and deferred income tax *(Continued)*

Deferred income tax

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Offsetting

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits

Pension and other social obligations

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

Share-based compensation

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits *(Continued)*

Treasury shares and restricted share award scheme

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

Output method

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

Principal versus agent

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

Sublease

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

Dividend distribution

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

The provision of ECL is sensitive to changes in estimates. In estimating the provision of ECL, the management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. As at 31 December 2023, the carrying amount of trade receivables from goods and services was RMB2,192,156,000 (31 December 2022: RMB1,851,369,000), already net of accumulated expected credit loss of RMB314,310,000 (31 December 2022: RMB265,433,000). The information about the ECL and the Group's trade receivables from goods and services are disclosed in Note 33.2(b)(i) and Note 11.

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

(b) Impairment of inventory

Inventories are reviewed for impairment whenever events or changes in circumstances cause their cost to exceed their net realisable value. Cost is determined on the weighted average basis. The determination of net realisable value of the inventories requires the use of estimates. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the net realisable value of inventories and a provision may be made or reversed in the year in which these estimates have been changed. As at 31 December 2023, the carrying amount of inventories was RMB910,021,000 (31 December 2022: RMB933,832,000), already net of accumulated impairment loss of RMB139,709,000 (31 December 2022: RMB137,353,000).

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculations require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, a material impairment loss may arise. As at 31 December 2023, the carrying amount of goodwill was RMB253,630,000 (2022: RMB253,630,000), already net of accumulated impairment loss of RMB26,325,000 (2022: RMB26,325,000). Details of the key assumptions used by the management in goodwill impairment assessment are set out in Note 8.

5. SEGMENT INFORMATION

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

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

The CODM assess performance of four reportable segments: "oilfield technical services", "oilfield management services", "drilling rig services" and "inspection services".

Oilfield technical services cover the full life cycle of oil and gas development, including geological technology, drilling technology, well completion and stimulation technology as well as asset leasing services for the industry.

5. SEGMENT INFORMATION *(Continued)*

Oilfield management services are the asset management services the Group provides to the oil companies worldwide, featured with profound capacity and light-asset. The services include integrated field management services, production capacity construction, development management, field operation and maintenance, etc.

Drilling rig services provide customers with services which require rigs, including drilling and workover services.

Inspection services provide customers with various assets inspection, detections and repairing services together with digital and intelligent transformation solutions, assisting our customers to assure asset security and to achieve energy saving, efficiency lifting, and environment protection.

All of the four reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into four single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customer for their services and products and the method used to provide their services and distribute their products.

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

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

5. SEGMENT INFORMATION *(Continued)*

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
For the year ended 31 December 2023					
Revenue	**2,021,613**	**1,617,860**	**349,401**	**445,924**	**4,434,798**
EBITDA	**565,359**	**600,228**	**107,690**	**140,006**	**1,413,283**
Depreciation and amortisation	**(271,730)**	**(8,768)**	**(58,957)**	**(17,684)**	**(357,139)**
Asset impairment provision of					
– Inventories	**(6,621)**	**-**	**(658)**	**-**	**(7,279)**
– Trade receivables, net of reversal	**(69,163)**	**(8,954)**	**(1,998)**	**(1,715)**	**(81,830)**
– Other receivables	**(5,300)**	**(1,641)**	**(1,048)**	**-**	**(7,989)**
Interest income	**1,340**	**706**	**180**	**5,129**	**7,355**
Finance expenses	**(29,220)**	**(16,108)**	**(5,999)**	**(174)**	**(51,501)**
Share of profit of a joint venture	**171**	**-**	**-**	**-**	**171**
Share of profit of associates	**1,999**	**-**	**-**	**-**	**1,999**
Income tax expense	**(52,986)**	**(101,953)**	**(15,800)**	**(16,428)**	**(187,167)**
Segment results	**133,849**	**463,510**	**23,410**	**109,134**	**729,903**
Unallocated corporate overheads					**(509,343)**
Profit for the year					**220,560**
For the year ended 31 December 2022					
Revenue	1,594,511	1,143,616	455,300	321,485	3,514,912
EBITDA	471,093	440,641	145,953	117,356	1,175,043
Depreciation and amortisation	(264,155)	(9,094)	(59,832)	(11,201)	(344,282)
Asset impairment provision of					
– Inventories	(11,303)	(592)	(1,247)	–	(13,142)
– Trade receivables, net of reversal	58,080	(6,544)	(1,070)	(1,518)	48,948
– Other receivables	(4,388)	(18)	(1,042)	–	(5,448)
Interest income	698	1,269	161	1,221	3,349
Finance expenses	(18,714)	(8,123)	(5,407)	(2,252)	(34,496)
Share of loss of a joint venture	(307)	–	–	–	(307)
Share of profit of associates	6,951	–	–	–	6,951
Income tax expense	(27,104)	(69,929)	(12,384)	(13,494)	(122,911)
Segment results	210,851	347,610	65,132	90,112	713,705
Unallocated corporate overheads					(416,114)
Profit for the year					297,591

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

5. SEGMENT INFORMATION *(Continued)*

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
As at 31 December 2023					
Segment assets	**4,067,661**	**1,835,281**	**848,258**	**448,306**	**7,199,506**
Segment assets include:					
Capital expenditures incurred in the year	**125,407**	**13,162**	**25,474**	**26,646**	**190,689**
As at 31 December 2022					
Segment assets	4,043,231	903,170	877,498	336,569	6,160,468
Segment assets include:					
Capital expenditures incurred in the year	229,211	17,879	34,532	28,277	309,899

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

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2023	2022
Assets for reportable segments	**7,199,506**	6,160,468
Corporate assets for general management	**2,607,368**	1,822,327
Total assets	**9,806,874**	7,982,795

The Group allocates revenue on the basis of the location in which the sales are originated.

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

5. SEGMENT INFORMATION *(Continued)*

Geographical Information

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2023	2022	**2023**	2022
PRC	**1,746,730**	1,493,655	**1,796,672**	1,881,273
Republic of Iraq ("Iraq")	**2,210,871**	1,536,034	**587,408**	694,806
Other countries	**477,197**	485,223	**191,600**	206,285
Total	**4,434,798**	3,514,912	**2,575,680**	2,782,364

Note:

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

Client information

For the year ended 31 December 2023, revenues of approximately RMB2,666,415,000 (2022: RMB2,226,782,000) were derived from two external customers, which contributed 40.33% and 19.79% (2022: 45.98% and 17.37%) to the total revenue respectively. These revenues were mainly attributable to oilfield technical services and oilfield management services segments (2022: oilfield technical services and oilfield management services segments).

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

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures, leasehold improvements and others	Construction-in-progress	Total
As at 1 January 2022						
Cost	784,700	2,622,790	58,317	155,410	170,818	3,792,035
Accumulated depreciation	(201,560)	(1,439,228)	(44,891)	(108,752)	–	(1,794,431)
Carrying values	583,140	1,183,562	13,426	46,658	170,818	1,997,604
Year ended 31 December 2022						
As at 1 January 2022	583,140	1,183,562	13,426	46,658	170,818	1,997,604
Additions	–	96	–	794	163,913	164,803
Acquisition of a subsidiary	15,092	500	45	47	–	15,684
Transfer in/(out)	79,327	188,165	8,254	22,345	(298,091)	–
Depreciation charge	(39,472)	(227,677)	(4,208)	(9,447)	–	(280,804)
Disposals	–	(1,839)	(100)	(1)	–	(1,940)
Currency translation differences	12,197	50,641	448	2,414	9,799	75,499
As at 31 December 2022	650,284	1,193,448	17,865	62,810	46,439	1,970,846
As at 31 December 2022						
Cost	897,337	2,889,792	66,080	182,149	46,439	4,081,797
Accumulated depreciation	(247,053)	(1,696,344)	(48,215)	(119,339)	–	(2,110,951)
Carrying values	650,284	1,193,448	17,865	62,810	46,439	1,970,846
Year ended 31 December 2023						
As at 1 January 2023	**650,284**	**1,193,448**	**17,865**	**62,810**	**46,439**	**1,970,846**
Additions	**-**	**1,002**	**755**	**1,962**	**115,846**	**119,565**
Transfer in/(out)	**4,891**	**111,069**	**9,073**	**6,406**	**(131,439)**	**-**
Depreciation charge	**(43,637)**	**(231,306)**	**(5,345)**	**(12,026)**	**-**	**(292,314)**
Disposals	**(901)**	**(1,901)**	**(250)**	**(793)**	**-**	**(3,845)**
Currency translation differences	**2,983**	**9,872**	**106**	**605**	**409**	**13,975**
As at 31 December 2023	**613,620**	**1,082,184**	**22,204**	**58,964**	**31,255**	**1,808,227**
As at 31 December 2023						
Cost	**902,603**	**3,002,957**	**73,078**	**185,834**	**31,255**	**4,195,727**
Accumulated depreciation	**(288,983)**	**(1,920,773)**	**(50,874)**	**(126,870)**	**-**	**(2,387,500)**
Carrying values	**613,620**	**1,082,184**	**22,204**	**58,964**	**31,255**	**1,808,227**

During the year ended 31 December 2023, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB239,906,000 (2022: RMB230,044,000), selling, general and administrative expenses with an amount of RMB30,885,000 (2022: RMB29,094,000), and cost of inventories which remained unsold as at year end with an amount of RMB21,523,000 (2022: RMB21,666,000), respectively.

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

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

As at 31 December 2023, long-term borrowings were secured by certain buildings with a carrying value of RMB82,591,000 (31 December 2022: RMB85,917,000) (Note 17(a)).

The Group as lessor

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

Year ended 31 December 2022	
As at 1 January 2022	79,055
Additions	62,889
Depreciation charge	(21,584)
As at 31 December 2022	120,360
As at 31 December 2022	
Cost	256,329
Accumulated depreciation	(135,969)
Carrying values	120,360
Year ended 31 December 2023	
As at 1 January 2023	**120,360**
Additions	**48,290**
Depreciation charge	**(27,120)**
As at 31 December 2023	**141,530**
As at 31 December 2023	
Cost	**304,619**
Accumulated depreciation	**(163,089)**
Carrying values	**141,530**

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

7. RIGHT-OF-USE ASSETS

	Leasehold lands	Equipment	Buildings	Total
Year ended 31 December 2022				
As at 1 January 2022	71,771	22,536	9,162	103,469
Additions	–	10,127	38,622	48,749
Acquisition of a subsidiary	11,340	–	–	11,340
Depreciation charge	(2,035)	(14,793)	(12,641)	(29,469)
Carrying values				
As at 31 December 2022	81,076	17,870	35,143	134,089
Year ended 31 December 2023				
As at 1 January 2023	**81,076**	**17,870**	**35,143**	**134,089**
Additions	**-**	**1,186**	**8,536**	**9,722**
Disposals	**(1,361)**	**-**	**-**	**(1,361)**
Depreciation charge	**(2,569)**	**(8,484)**	**(15,370)**	**(26,423)**
Carrying values				
As at 31 December 2023	**77,146**	**10,572**	**28,309**	**116,027**

During the current and prior years, the Group entered into new lease agreements for the use of buildings and equipment for 2 to 5 years (2022: 2 to 5 years) with extension and termination options. The Group is required to make fixed quarterly, semi-annually or annually payments during the contract periods. On lease commencement, the Group recognised RMB9,722,000 (2022: RMB48,749,000) of right-of-use assets and RMB9,722,000 (2022: RMB48,749,000) lease liabilities. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except for the leasehold lands may not be used as security for borrowing purposes.

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

During the year ended 31 December 2023, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB24,072,000 (2022: RMB27,103,000) and cost of inventories which remained unsold as at year end with an amount of RMB2,351,000 (2022: RMB2,366,000), respectively.

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

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

During the year ended 31 December 2023, the expense relating to short-term leases and leases of low-value assets amounts to RMB95,281,000 (2022: RMB108,064,000).

During the year ended 31 December 2023, the total cash outflow for leases amounts to RMB113,937,000 (2022: RMB181,446,000), consisting of RMB25,755,000 (2022: RMB35,338,000) paid for lease liabilities and RMB88,182,000 (2022: RMB146,108,000) paid for short-term leases and other leases with lease terms end within 12 months.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB3,461,000 (2022: RMB3,677,000) in which the Group is in the process of obtaining.

As at 31 December 2023, the outstanding lease commitment relating to short-term leases of certain equipment and buildings is RMB6,862,000 (2022: RMB6,823,000).

As at 31 December 2023, certain long-term borrowings were secured by right-of-use assets (leasehold lands) with a carrying value of RMB5,512,000 (31 December 2022: RMB5,681,000) (Note 17(a)).

8. GOODWILL

Cost	
At 1 January 2022	268,329
Arising on acquisition of a subsidiary	11,626
At 31 December 2022 and 2023	**279,955**
IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 2023	(26,325)
CARRYING VALUES	
At 31 December 2022 and 2023	**253,630**

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

8. GOODWILL *(Continued)*

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

As at 31 December 2023 and 2022	Inspection services	Oilfield technical services	Total
Shandong Precede Petroleum Technology Co., Ltd. (山東普瑞思德石油技術有限公司, "Shandong Precede")	-	132,486	132,486
Beijing Haineng Haite Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, "Beijing Haineng Haite")	-	106,886	106,886
Anton Machinery and Meter Testing Co., Ltd. (安東儀器儀表檢測服務有限公司, "Anton Testing")	2,632	-	2,632
Suining Xingyuan Oil & Gas Development Co., Ltd. (遂甯興源油氣開發有限公司, "Suining Xingyuan")	-	11,626	11,626
	2,632	250,998	253,630

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

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using 2% growth rates after considering the inflation factor. Based on the assessments, no goodwill was further impaired as at 31 December 2023.

The key assumptions used for value-in-use calculations in 2023 of Shandong Precede and Beijing Haineng Haite are as follows:

As at 31 December 2023	Shandong Precede	Beijing Haineng Haite
Gross margin	16.90%	17.09%
Discount rate	12.71%	12.66%

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

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

Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed their recoverable amount as of 31 December 2023.

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

9. INTANGIBLE ASSETS

As at 31 December 2023 and 2022	Patents	Computer software	Total
As at 1 January 2022			
Cost	503,761	87,757	591,518
Accumulated amortisation	(250,519)	(55,520)	(306,039)
Carrying value	253,242	32,237	285,479
Year ended 31 December 2022			
As at 1 January 2022	253,242	32,237	285,479
Additions	74,212	1,049	75,261
Amortisation charge	(39,225)	(3,900)	(43,125)
As at 31 December 2022	288,229	29,386	317,615
As at 31 December 2022			
Cost	577,973	88,806	666,779
Accumulated amortisation	(289,744)	(59,420)	(349,164)
Carrying value	288,229	29,386	317,615
Year ended 31 December 2023			
As at 1 January 2023	**288,229**	**29,386**	**317,615**
Additions	**58,769**	**2,633**	**61,402**
Amortisation charge	**(42,165)**	**(3,771)**	**(45,936)**
As at 31 December 2023	**304,833**	**28,248**	**333,081**
As at 31 December 2023			
Cost	**636,742**	**91,439**	**728,181**
Accumulated amortisation	**(331,909)**	**(63,191)**	**(395,100)**
Carrying value	**304,833**	**28,248**	**333,081**

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

10. INVENTORIES

	As at 31 December	
	2023	2022
Project materials, spare parts and other materials	**596,694**	618,429
Project-in-progress	**313,327**	315,403
	910,021	933,832

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

	2023	2022
As at 1 January	**(137,353)**	(127,490)
Addition	**(7,279)**	(13,142)
Write-off	**4,923**	3,279
As at 31 December	**(139,709)**	(137,353)

11. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
Trade receivables, net (a)		
– contracts with customers	**2,192,156**	1,851,369
– lease receivables	**63,815**	51,151
	2,255,971	1,902,520
Notes receivable (e)	**185,064**	132,090
	2,441,035	2,034,610

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

11. TRADE AND NOTES RECEIVABLES *(Continued)*

Notes:

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

	As at 31 December	
	2023	2022
1 – 6 months	**1,752,215**	1,248,600
6 months – 1 year	**259,574**	292,400
1 – 2 years	**162,672**	151,785
2 – 3 years	**44,914**	80,625
Over 3 years	**36,596**	129,110
	2,255,971	1,902,520

(b) Most of the Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB244,182,000 (31 December 2022: RMB256,217,000) which are past due but not considered as in default as at the reporting date because the management considered such long ageing items were receivables from customers with good cooperation and would be collected subsequently.

(c) Most of the trade receivables are with credit terms of one year or less. The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables.

As at 31 December 2023, trade receivables of RMB421,134,000 (31 December 2022: RMB318,764,000) were pledged as security for long-term borrowings of RMB266,718,000 (31 December 2022: Nil) and short-term borrowings of RMB154,416,000 (31 December 2022: RMB318,764,000) (Note 17(a)).

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

	2023	2022
As at 1 January	**(265,433)**	(314,381)
Addition	**(81,830)**	(37,508)
Reversal	**-**	86,456
Write-off	**32,953**	–
As at 31 December	**(314,310)**	(265,433)

Details of impairment assessment of trade receivables and notes receivable for the year ended 31 December 2023 and 2022 are set out in Note 33.2(b)(i) and Note 33.2(b)(iii) respectively.

(e) As at 31 December 2023, total notes received amounting to RMB185,064,000 (31 December 2022: RMB132,090,000) are held by the Group as settlement of corresponding trade receivables. Notes receivable was measured at fair value through other comprehensive income. All notes received by the Group are with a maturity period of less than one year.

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

11. TRADE AND NOTES RECEIVABLES *(Continued)*

Notes: *(Continued)*

(f) Trade and notes receivables were denominated in the following currencies:

	As at 31 December	
	2023	2022
RMB	**1,321,964**	961,957
United States dollar ("US$")	**1,096,816**	1,036,427
Others	**22,255**	36,226
	2,441,035	2,034,610

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
Current		
Advances to suppliers	**167,715**	326,719
Deposits and other receivables (b)	**1,358,358**	530,250
Value-added tax recoverable	**53,413**	48,072
	1,579,486	905,041
Non-current		
Value-added tax recoverable	**10,424**	9,958
Advances to engineering equipment suppliers	**18,279**	49,646
Prepayments for acquisition of additional equity interest in a subsidiary	**-**	11,245
Other receivables	**91,897**	47,710
	120,600	118,559

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

12. PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December	
	2023	2022
1 – 6 months	**1,315,321**	606,200
6 months – 1 year	**155,897**	186,662
1 – 2 years	**102,525**	92,241
2 – 3 years	**11,505**	20,969
Over 3 years	**53,306**	50,048
	1,638,554	956,120
Less: allowance for impairment (a)	**(59,068)**	(51,079)
Prepayments and other receivables, net	**1,579,486**	905,041

Notes:

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

	2023	2022
As at 1 January	**(51,079)**	(45,631)
Additions	**(7,989)**	(5,448)
As at 31 December	**(59,068)**	(51,079)

Details of impairment assessment of other receivables for the year ended 31 December 2023 and 2022 are set out in Note 33.2(b)(ii).

(b) Pursuant to the oilfield management service contract with a third party customer, the Group provides management services, including acting as an agent for the customer's procurement activities. As at 31 December 2023, other receivables amounting to RMB1,007,798,000 (2022: RMB272,251,000) mainly represent receivables from this oilfield customer for the procurement costs paid on its behalf and correspondingly, the Group recorded other payables amounting to RMB957,575,000 (2022: RMB107,242,000) to the third party suppliers.

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

13. CASH AND BANK

	As at 31 December	
	2023	2022
Restricted bank deposits (a)	**482,379**	477,997
Cash and cash equivalents		
– Cash on hand	**2,891**	7,495
– Deposits in bank	**1,582,995**	720,409
	2,068,265	1,205,901

Notes:

(a) As at 31 December 2023, bank deposits amounting to RMB462,379,000 (31 December 2022: RMB426,172,000) and RMB20,000,000 (31 December 2022: RMB51,825,000) were held as security for letter of guarantee and issuance of notes payable and for securing short-term bank borrowings (Note 17(a)), respectively. The restricted bank deposits carried a fixed interest rate 0.2% per annum as at 31 December 2023 (2022: 0.25% per annum).

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

	As at 31 December	
	2023	2022
RMB	**1,116,535**	895,136
US$	**880,594**	272,243
Hong Kong dollar ("HK$")	**856**	1,973
Others	**70,280**	36,549
	2,068,265	1,205,901

(c) As at 31 December 2023, cash and cash equivalents were bank deposits mainly bearing market interest rate at 0.2% per annum (31 December 2022: 0.25% per annum).

(d) Details of impairment assessment of restricted bank deposits and deposits in bank for the year ended 31 December 2023 and 2022 are set out in Note 33.2(b)(iii).

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

14. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares issued and fully paid of HK$0.1 each (thousands)	Share capital	
		HK$'000	RMB'000
Ordinary shares issued and fully paid:			
As at 1 January 2022, 31 December 2022 and 2023	3,006,571	300,657	276,274

Notes:

(i) Share options

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

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

	Average exercise price in HK$ per share	Number of share options (thousands)
As at 1 January 2022		429,253
Forfeited	0.849	(8,530)
Expired	0.754	(85,414)
As at 1 January 2023		335,309
Forfeited	0.892	(1,640)
Expired	0.810	(85,722)
As at 31 December 2023		247,947

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

Notes: *(Continued)*

(i) Share options *(Continued)*

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

Expiry date	Exercise price HK$ per share	Number of share options (thousands) As at 31 December 2023
2 April 2024	1.020	55,603
6 January 2025	0.790	78,904
31 March 2026	0.495	113,440
		247,947

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

As of 31 December 2023, out of the 247,947,000 options (31 December 2022: 335,309,000 options), 247,947,000 options (31 December 2022: 297,496,000 options) were exercisable.

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 for share options amounted to RMB701,000 (31 December 2022: RMB3,723,000), with a corresponding amount credited in capital reserve.

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

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

Notes: *(Continued)*

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

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

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

In 2020, 2021, 2022 and 2023, the Company repurchased 259,254,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited, with the price per share from HK $0.330 to HK$0.550. The aggregate consideration paid were RMB32,600,000, RMB19,438,000, RMB11,207,000 and RMB35,500,000 respectively.

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

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

On 22 November 2023, 86,000,000 shares with the fair value of HK$0.435 per share have been conditionally granted to certain directors and key employees. The shares granted have a vesting period from 12 months to 36 months.

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

	Number of restricted shares (thousands)
As at 1 January 2022	54,353
Granted (on 15 July 2022)	75,730
Vested	(53,237)
Forfeited	(1,300)
As at 31 December 2022	75,546
As at 1 January 2023	**75,546**
Granted (on 22 November 2023)	**86,000**
Vested	**(50,220)**
Forfeited	**(1,733)**
As at 31 December 2023	**109,593**

The total expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 for the Scheme amounted to RMB12,253,000 (31 December 2022: RMB20,347,000), with a corresponding amount credited in capital reserve.

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

15. RESERVES

(a) Translation reserve

	2023	2022
Items that may be reclassified subsequently to profit or loss:		
At 1 January	**112,344**	(225,894)
Currency translation differences	**16,543**	338,238
At 31 December	**128,887**	112,344

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

(b) Hedging reserve

	2023	2022
Items that may be reclassified subsequently to profit or loss:		
At 1 January	**(182,584)**	(419)
Net investment hedge	**(13,656)**	(182,165)
At 31 December	**(196,240)**	(182,584)

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

During the year ended 31 December 2023, the Group's US$ denominated long-term bonds amounting to US$111,189,000 (2022: US$115,130,000) has been designated as hedging instrument for the US$ denominated net investment in the Group's overseas subsidiaries. For the year ended 31 December 2023, foreign exchange translation loss of RMB13,656,000 (2022: loss of RMB182,165,000) on the hedging instrument was recognised as other comprehensive income as a debit (2022: debit) in other reserves.

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

15. RESERVES *(Continued)*

(c) Statutory reserve

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

(d) Capital reserve

Capital reserve represents share-based payments reserve and capital injection before listing by shareholders. As at 31 December 2023, included in the balance of capital reserve, there is RMB242,676,000 (31 December 2022: RMB248,254,000) share-based payments reserve and RMB235,462,000 (31 December 2022: RMB235,462,000) capital injection before listing by shareholders.

16. LONG-TERM BONDS

Issue date	Par value	Coupon rate	As at 31 December 2023	As at 31 December 2022	Effective interest rate
26 July 2021 (a)	US$61.9 million	8.75%	**451,732**	441,334	8.91%
26 July 2021 (a)	US$50.4 million	8.75%	**365,742**	391,272	10.25%
Subtotal			**817,474**	832,606	
Less: Current portion			**(29,959)**	(30,771)	
			787,515	801,835	

Note:

(a) The Company issued US$150 million senior notes with the coupon rate of 8.75% at discount of par value on 26 July 2021, of which US$61.9 million were arranged to exchange the senior notes issued in prior years. Subsequently US$32.7 million and US$5.0 million were repurchased in 2022 and 2023 respectively. The notes mature in 3.5 years from the issue date at their nominal value. Interest is payable on a semi-annually basis. As at 31 December 2023, interest payable amounted to approximately RMB30.0 million (31 December 2022: RMB30.8 million).

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

17. BORROWINGS

	As at 31 December			
	2023 Amount	**2023 Interest Rate**	2022 Amount	2022 Interest Rate
Long-term borrowings				
– Secured or guaranteed				
– RMB denominated (a)	**438,180**	**3.20%-6.85%**	95,730	6.70%-6.90%
Less: Current portion	**(97,262)**		(48,617)	
	340,918		47,113	
Short-term bank borrowings				
– Unsecured and unguaranteed				
– RMB denominated	**224,605**	**3.70%-4.95%**	175,421	4.70%-4.90%
– Secured or guaranteed				
– RMB denominated (a)	**961,505**	**3.45%-6.00%**	964,311	3.65%-6.00%
	1,186,110		1,139,732	

	As at 31 December	
	2023	2022
The carrying amounts of the above borrowings are repayable:		
– Within one year	**1,283,372**	1,188,349
– More than one year but not exceeding two years	**217,586**	47,113
– More than two years but not exceeding five years	**123,332**	–
	1,624,290	1,235,462
Less: Amount due for settlement within one year and shown under current liabilities	**(1,283,372)**	(1,188,349)
Amount due after one year	**340,918**	47,113

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

	As at 31 December	
	2023	2022
Fixed-rate borrowings	**1,530,037**	1,187,347
Variable-rate borrowings	**94,253**	48,115
	1,624,290	1,235,462

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

17. BORROWINGS *(Continued)*

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

	Year ended 31 December	
	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**3.45%-6.50%**	3.65%-6.90%
Variable-rate borrowings	**3.20%-6.85%**	6.70%

Notes:

(a) As at 31 December 2023, secured long-term bank borrowings of RMB95,257,000 (31 December 2022: RMB95,730,000) were secured by the Group's buildings with a carrying value of RMB82,591,000 (31 December 2022: RMB85,917,000) (Note 6) and right-of-use assets (leasehold lands) with a carrying value of RMB5,512,000 (31 December 2022: RMB5,681,000) respectively (Note 7).

As at 31 December 2023, long-term bank borrowings of RMB47,127,000 and short-term bank borrowings of RMB95,257,000 were guaranteed by Beijing Zhongguancun Sci-tech Guaranty Co., Ltd. (北京中關村科技融資擔保有限公司), a third party.

As at 31 December 2023, secured long-term bank borrowings of RMB266,718,000 (31 December 2022: Nil) and short-term bank borrowings of RMB154,416,000 (31 December 2022: RMB318,764,000) were secured by the Group's trade receivables amounting to RMB421,134,000 (31 December 2022: RMB318,764,000) (Note 11(c)).

As at 31 December 2023, long-term bank borrowings of RMB29,078,000 (31 December 2022: Nil) and short-term bank borrowings of RMB693,784,000 (31 December 2022: RMB595,547,000) were guaranteed by Mr. Luo Lin, the Company's ultimate controlling shareholder (Note 34(b)).

As at 31 December 2023, short-term bank borrowings of RMB18,048,000 (31 December 2022: RMB50,000,000) were secured by the restricted bank deposits amounting to RMB20,000,000 (31 December 2022: RMB51,825,000) (Note 13(a)).

(b) As at 31 December 2023, the undrawn bank borrowing facilities of the Group of approximately RMB977 million (31 December 2022: RMB1,043 million), with maturity dates up to 8 October 2026 (31 December 2022: 16 March 2024), were unsecured (31 December 2022: unsecured).

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

18. LEASE LIABILITIES

	As at 31 December 2023	As at 31 December 2022
Lease liabilities payable:		
Within one year	**12,720**	20,515
One to two years	**8,425**	9,916
Two to five years	**14,955**	18,583
	36,100	49,014
Less: Amount due for settlement with 12 months shown under current liabilities	**(12,720)**	(20,515)
Amount due for settlement after 12 months shown under non-current liabilities	**23,380**	28,499

19. TRADE AND NOTES PAYABLES

	As at 31 December	
	2023	2022
Trade payables	**944,088**	585,517
Notes payable	**875,836**	863,575
	1,819,924	1,449,092

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

	As at 31 December	
	2023	2022
Less than 1 year	**1,669,508**	1,286,568
1 – 2 years	**58,141**	69,999
2 – 3 years	**25,476**	27,783
Over 3 years	**66,799**	64,742
	1,819,924	1,449,092

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

19. TRADE AND NOTES PAYABLES *(Continued)*

Trade and notes payables were denominated in the following currencies:

	As at 31 December	
	2023	2022
RMB	**1,658,986**	1,340,763
US$	**153,215**	93,917
Others	**7,723**	14,412
	1,819,924	1,449,092

20. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
Payroll and welfare payables	**70,821**	56,762
Taxes other than income taxes payable	**57,769**	31,820
Payables to equipment venders	**231,451**	313,761
Consideration payable for acquisition of a subsidiary	**-**	30,687
Liabilities arising from put option of non-controlling interest (Note)	**276,503**	155,280
Others (Note 12(b))	**1,081,205**	273,355
	1,717,749	861,665

Note:

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

During this year, the Company, Anton Limited, Anton New Energy and T-ALL Inspection entered into an agreement with 共青城山證通奧啟程股權投資合夥企業(有限合夥), 共青城億芯智行創業投資合夥企業(有限合夥), 共青城德擎匯垠創業投資合夥企業(有限合夥), 北京望京創新私募股權投資基金中心(有限合夥) and 新疆金投資產管理股份有限公司 (the "Second Round Investors"), five third parties, pursuant to which Anton Limited and Anton New Energy transferred a total of 6.72% interest in T-ALL Inspection to the Second Round Investors at a consideration of RMB97,530,000. The Group recognised an increase in non-controlling interests by RMB60,573,000 and an increase in equity attributable to owners of the Company of RMB36,957,000.

As at 31 December 2023, pursuant to the above mentioned signed agreements, all of the investors (including the First Round Investors and Second Round Investors) have the right to request the Company to repurchase the 18.69% (31 December 2022: 11.97%) equity interest at the original price with a premium of interest at 10% per annum if T-ALL Inspection failed to fulfil the profit and other commitments as prescribed in the agreement. Therefore, the considerations received were recognised as financial liabilities, with effective interest rate of 10% per annum, and debited to other reserves. The interest charged to the consolidated statement of profit or loss in the current year was RMB23,693,000.

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

21. REVENUE

	Year ended 31 December	
	2023	2022
Sales of goods	**271,827**	295,281
Provision of services	**3,998,123**	3,015,228
	4,269,950	3,310,509
Rental	**164,848**	204,403
	4,434,798	3,514,912

(i) Disaggregation of revenue

	For the year ended 31 December 2023			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Types of goods or service				
Sales of goods	**271,827**	**-**	**-**	**-**
Provision of services	**1,584,938**	**1,617,860**	**349,401**	**445,924**
Total	**1,856,765**	**1,617,860**	**349,401**	**445,924**
Geographical markets				
PRC	**1,064,607**	**7,933**	**133,392**	**375,950**
Iraq	**575,542**	**1,390,905**	**214,375**	**30,049**
Other countries	**216,616**	**219,022**	**1,634**	**39,925**
Total	**1,856,765**	**1,617,860**	**349,401**	**445,924**
Timing of revenue recognition				
A point in time	**1,856,765**	**-**	**349,401**	**445,924**
Over time	**-**	**1,617,860**	**-**	**-**
Total	**1,856,765**	**1,617,860**	**349,401**	**445,924**

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

21. REVENUE *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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

	For the year ended 31 December 2023			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Revenue disclosed in segment information				
External customers (Note 5)	**2,021,613**	**1,617,860**	**349,401**	**445,924**
Rental income	**(164,848)**	**-**	**-**	**-**
Revenue from contracts with customers	**1,856,765**	**1,617,860**	**349,401**	**445,924**

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

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

21. REVENUE *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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

	For the year ended 31 December 2022			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Revenue disclosed in segment information				
External customers (Note 5)	1,594,511	1,143,616	455,300	321,485
Rental income	(204,403)	–	–	–
Revenue from contracts with customers	1,390,108	1,143,616	455,300	321,485

(ii) Performance obligations for contracts with customers

a. Provision of oilfield technical services, drilling rig services, and inspection services

The Group provides oilfield technical services, drilling rig services, and inspection services to customers like large multinational and state-owned oil companies.

Such services are each recognised as a performance obligation in different stages of a contract, with transaction price allocated to the different and separate performance obligations on a relative stand-alone price basis. Revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer. Since the services are expected to meet certain specified technological criteria which are not simply based on size and weight characteristics, the Group cannot objectively determine that the services provided to the customer are in accordance with the agreed-upon specifications in the contract and then the Group would not be able to conclude that the customer has obtained control until it receives the customer's acceptance. Therefore, the revenue from oilfield technical services, drilling rig services, and inspection services is recognised at a point when the customer acceptance is concluded.

The Group's contracts for such services include the Group's entitlement to payment which requires customer acceptance.

21. REVENUE *(Continued)*

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

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

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

b. Provision of oilfield management services

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

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

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

c. Sales of oilfield-related goods

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

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

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

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

21. REVENUE *(Continued)*

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue are as follows:

	PRC	**Iraq**	**Other countries**
Within one year	**1,412,940**	**1,527,253**	**212,691**
More than one year but not more than two years	**459,317**	**634,001**	**39,915**
More than two years	**–**	**305,932**	**24,830**
	1,872,257	**2,467,186**	**277,436**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

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

(iv) Leases

	Year ended 31 December 2023	Year ended 31 December 2022
For operating leases:		
Lease payments that are fixed	**164,848**	204,403
Total revenue arising from leases	**164,848**	204,403

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

22. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December	
	2023	2022
Materials and services purchased	**1,763,122**	1,316,115
Staff costs	**940,106**	797,149
In which:		
– Salaries and other staff expenses	**927,152**	773,079
– Share-based compensation (Note 14)	**12,954**	24,070
Depreciation	**344,262**	332,355
In which:		
– Property, plant and equipment (Note 6)	**313,980**	300,482
– Right-of-use assets (Note 7)	**28,789**	31,618
– Investment properties	**1,493**	255
Less: Capitalised in inventories (Note 6) (Note 7)	**(23,874)**	(24,032)
	320,388	308,323
Amortisation of intangible assets	**49,886**	46,712
Less: Capitalised in inventories	**(3,924)**	(3,950)
	45,962	42,762
In which:		
– Cost of sales	**37,720**	33,922
– Administrative expenses	**822**	507
– Selling expenses	**19**	18
– Research and development expenses	**7,401**	8,315
Auditor's remuneration		
– Audit and related services	**6,200**	6,200
– Other services	**300**	170
Other operating expenses	**637,531**	561,968
In which:		
– Impairment of inventories	**7,279**	13,142

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

23. OTHER (LOSS)/GAINS, NET

	Year ended 31 December	
	2023	2022
Government grants and subsidies (a)	**8,228**	8,367
Gains/(loss) on disposal of property, plant and equipment	**1,418**	(252)
Gains on repurchase of long-term bonds	**1,519**	129,301
Loss on derecognition of financial assets (b)	**(24,717)**	–
Value added tax preferences	**5,905**	9,014
Others	**(9,639)**	6,684
	(17,286)	153,114

Notes:

(a) Government grants and subsidies of RMB8,228,000 (2022: RMB8,367,000) were received in the current year towards awarding of research and development expenditures.

(b) In 2023, trade receivable from one credit impaired debtor was arranged to be settled by the debtor's additionally issued ordinary shares which was accounted as a substantial modification of financial assets. Upon completion of the settlement, there was a loss of RMB24,717,000 due to the difference between the fair value of the listed ordinary shares acquired and the carrying value of the trade receivable derecognised.

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

	Year ended 31 December	
	2023	2022
Impairment losses recognised/(reversed) on:		
– Trade receivables – goods and services	**81,830**	(48,948)
– Other receivables	**7,989**	5,448
	89,819	(43,500)

Details of impairment assessment for the year ended 31 December 2023 and 2022 are set out in Note 33.2(b).

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

25. FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
Interest expenses		
– on bank borrowings	**(71,513)**	(54,989)
– on bonds	**(77,699)**	(166,165)
– on other financial liabilities (Note 20)	**(23,693)**	–
– on lease liabilities	**(3,119)**	(2,941)
Exchange gain/(loss), net	**5,547**	(6,659)
Others	**(51,501)**	(38,496)
Finance expenses	**(221,978)**	(269,250)
Interest income	**26,849**	17,957
	(195,129)	(251,293)

26. STAFF COSTS

	Year ended 31 December	
	2023	2022
Wages, salaries and allowances	**842,387**	675,396
Housing subsidies (a)	**17,341**	14,192
Contributions to pension plans (b)	**36,316**	31,045
Share option costs		
– equity settled share-based payment (Note 14)	**12,954**	24,070
Welfare and other expenses	**31,108**	52,446
	940,106	797,149

Notes:

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

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

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the schemes which may be used by the Group to reduce the contribution payable in future years.

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

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

26. STAFF COSTS *(Continued)*

Notes: *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2022: three) Directors whose emoluments are reflected in the analysis shown in Note 37. The emolument payable to the other two (2022: two) individuals during the year were as follows:

	Year ended 31 December	
	2023	2022
Basic salaries, housing allowances, other allowances and benefits-in-kind	**5,658**	4,877
Contributions to pension schemes	**126**	115
	5,784	4,992

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emoluments bands		
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**2**	–
	2	2

(d) During the years ended 31 December 2023 and 2022, no Directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

27. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
Current income tax		
– PRC enterprise income tax	**26,451**	11,240
– Iraq corporate income tax	**155,719**	105,485
– Others	**8,666**	7,788
Deferred income tax	**(3,669)**	(1,602)
	187,167	122,911

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

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

27. INCOME TAX EXPENSE *(Continued)*

PRC enterprise income tax ("EIT") is provided on the basis of estimated taxable profits of PRC established subsidiaries at applicable tax rate of 25% in 2023 (2022: 25%), based on the relevant PRC tax laws and regulations. Certain subsidiaries have been granted a preferential rate of 15% as high technology enterprises or as enterprises set up in western area of the PRC.

The corporate income tax of Iraq entities is levied at the higher of 7% on the total turnover, or 35% on the net taxable profit.

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

	Year ended 31 December	
	2023	2022
Profit before income tax	**407,727**	420,502
Tax calculated at applicable tax rates	**168,673**	136,281
Income not subject to taxation	**-**	(1,982)
Expenses not deductible for taxation purposes	**1,714**	1,544
Additional deduction of research and development expense	**(11,229)**	(6,210)
Tax losses and deductible temporary difference for which no deferred income tax was recognised	**29,064**	20,869
Utilisation of unused deductible tax losses previously not recognised as deferred income tax	**(3,715)**	(11,124)
Effect of share of (profit)/loss of a joint venture	**(26)**	46
Effect of share of profit of associates	**(500)**	(1,738)
Under/(over) provision in respect of prior year and others	**3,186**	(14,775)
	187,167	122,911

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

28. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company	**196,513**	293,810
Weighted average number of ordinary shares in issue (thousands of shares) (Note)	**2,910,766**	2,901,580
Basic earnings per share (expressed in RMB per share)	**0.0675**	0.1013

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

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. For the year ended 31 December 2023, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both years ended 2023 and 2022.

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company	**196,513**	293,810
Weighted average number of ordinary shares in issue (thousands of shares)	**2,910,766**	2,901,580
Adjustments for the effect of restricted share award scheme (thousands of shares)	**39,795**	64,795
Weighted average number of ordinary shares for computation of diluted earnings per share (thousands of shares)	**2,950,561**	2,966,375
Diluted earnings per share (expressed in RMB per share)	**0.0666**	0.0990

29. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.013 (2022: Nil) per ordinary share, in an aggregate amount of RMB39,000,000 (2022: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December	
	2023	2022
Profit for the year	**220,560**	297,591
Adjustments for:		
Property, plant and equipment		
– Depreciation charge	**292,457**	278,816
– (Gains)/loss on disposals	**(1,418)**	252
Gains on repurchase of long-term bonds	**(1,519)**	(129,301)
Depreciation of right-of-use assets	**26,438**	29,252
Amortisation of intangible assets	**45,962**	42,762
Depreciation of investment properties	**1,493**	255
Addition/(reversal) of impairment of receivables	**89,819**	(43,500)
Addition of impairment of inventories	**7,279**	13,142
Charge of share option scheme and restricted share award scheme	**12,954**	24,070
Share of (profit)/loss of a joint venture	**(171)**	307
Share of profit of associates	**(1,999)**	(6,951)
Net foreign exchange (gain)/loss	**(5,547)**	6,659
Interest income	**(26,849)**	(17,957)
Interest expenses	**176,024**	224,095
Income tax expense	**187,167**	122,911
Operating cash flows before movements in working capital	**1,022,650**	842,403
Changes in working capital:		
– Inventories	**16,348**	604
– Trade and notes receivables	**(548,769)**	364,001
– Contract assets	**(2,242)**	(1,787)
– Prepayments and other receivables and value-added tax recoverable	**(695,151)**	(98,336)
– Trade and notes payables	**362,850**	(86,159)
– Accruals and other payables	**847,858**	59,327
– Contract liabilities	**56,519**	(16,159)
– Restricted bank deposits	**(36,207)**	(11,280)
Net cash inflows from operations	**1,023,856**	1,052,614

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

31. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings Note 17	**Long-term bonds Note 16**	**Accruals and other payables Note 20**	**Prepayments and other receivables Note 12**	**Restricted bank deposits Note 13**	**Lease liabilities Note 18**	**Total**
As at 1 January 2023	**1,235,462**	**832,606**	**155,280**	**(11,245)**	**(51,825)**	**49,014**	**2,209,292**
Financing cash flows	**317,315**	**(104,968)**	**97,530**	**(68,621)**	**31,825**	**(25,755)**	**247,326**
Acquisition of non-controlling interests in a subsidiary	**-**	**-**	**-**	**79,866**	**-**	**-**	**79,866**
New leases entered	**-**	**-**	**-**	**-**	**-**	**9,722**	**9,722**
Currency translation differences	**-**	**13,656**	**-**	**-**	**-**	**-**	**13,656**
Interest expenses	**71,513**	**77,699**	**23,693**	**-**	**-**	**3,119**	**176,024**
Gains on repurchase of long-term bonds	**-**	**(1,519)**	**-**	**-**	**-**	**-**	**(1,519)**
As at 31 December 2023	**1,624,290**	**817,474**	**276,503**	**-**	**(20,000)**	**36,100**	**2,734,367**

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

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

32. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2023	2022
Contracted but not provided for	**55,745**	56,322

33. FINANCIAL RISK MANAGEMENT

33.1 Categories of financial instruments

	As at 31 December	
	2023	2022
Financial assets		
Amortised cost		
– Cash and cash equivalents	**1,582,995**	720,409
– Restricted bank deposits	**482,379**	477,997
– Included in trade and notes receivables	**2,192,156**	1,851,369
– Included in prepayments and other receivables	**1,408,013**	537,102
Fair value through other comprehensive income		
– Notes receivable	**185,064**	132,090
Fair value through profit or loss		
– Financial assets at FVTPL	**91,310**	30,000
	5,941,917	3,748,967

	As at 31 December	
	2023	2022
Financial liabilities		
Amortised cost		
– Trade and notes payables	**1,819,924**	1,449,092
– Included in accruals and other payables	**1,653,942**	824,596
– Borrowings	**1,624,290**	1,235,462
– Long-term bonds	**817,474**	832,606
	5,915,630	4,341,756

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has purchases from and sales to overseas parties. During the year ended 31 December 2023, the Group developed its businesses overseas with most of the transactions denominated and settled in US$. Foreign exchange risk also arises from certain bank deposits and long-term bonds denominated in US$. The Group is exposed to foreign currency exchange risk primarily with respect to US$.

As at 31 December 2023, if RMB had strengthened/weakened by 3% against the US$ with all other variables held constant, profit after income tax (2022: profit after income tax) for the year would have been RMB596,000 lower/higher (2022: RMB2,119,000 lower/higher) and equity reserves would have been RMB183,936,000 lower/higher (2022: RMB73,877,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$-denominated cash and bank, trade and other receivables, trade and other payables, long-term bonds and net investment hedge of foreign operations.

(ii) Cash flow and fair value interest rate risk

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

Based on the balance of floating interest borrowings as at 31 December 2023, if interest rates on these borrowings for the year had been higher/lower by 100 basis points, profit before income tax for the year would have been RMB943,000 (2022: RMB481,000) lower/higher.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment

As at 31 December 2023, the maximum exposure to credit risk of the Group is the carrying value of financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, contract assets and other receivables

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

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

Notes receivable, restricted bank deposits and deposits in bank

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

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

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

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

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

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

2023	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount
Financial assets at amortised cost					
Trade receivables – goods and services	11	N/A	Note (i)	Lifetime ECL (provision matrix)	**662,178**
				Lifetime ECL (individually, not credit-impaired)	**1,609,250**
				Lifetime ECL (individually, credit-impaired)	**235,038**
Other receivables	12	N/A	Note (ii)	12m ECL	**1,408,013**
				Lifetime ECL (credit-impaired)	**59,068**
Restricted bank deposits	13	A1	Note (iii)	12m ECL	**482,379**
Deposits in bank	13	A1	Note (iii)	12m ECL	**1,582,995**
Financial assets at FVTOCI					
Notes receivable	11	A1	Note (iii)	12m ECL	**185,064**
Other items					
Contract assets – goods and services	21(ii)(a)	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	**24,728**
Lease receivables – operating leases	11	N/A	Note (i)	Lifetime ECL (individually, not credit-impaired)	**63,815**

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

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

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

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

Notes:

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

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

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

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

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

Notes: *(Continued)*

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

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for part of its customers in relation to its oilfield technology services, oilfield related operation and maintenance services and sales of oilfield-related goods operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from goods and services from private and relatively small customers which are assessed based on provision matrix as at 31 December 2023 within lifetime ECL (not credit impaired). Trade receivables from goods and services with significant outstanding balances from large multinational and state-owned oil companies and credit impaired with gross carrying amounts of RMB1,609,250,000 (2022: RMB1,291,090,000) and RMB235,038,000 (2022 RMB296,325,000) respectively as at 31 December 2023 were assessed individually.

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

31/12/2023

	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
Current (not past due)	**6.63%**	**571,486**	**37,889**
Within 1 year past due	**33.45%**	**60,994**	**20,400**
1-2 years past due	**64.48%**	**29,698**	**19,150**
		662,178	**77,439**

31/12/2022

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

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

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

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

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

Notes: *(Continued)*

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

During the year ended 31 December 2023, the Group provided RMB45,692,000 (2022: RMB37,502,000) impairment allowance for trade receivables from goods and services from private and relatively small customers based on the provision matrix. Impairment allowance of Nil (2022: allowance of RMB6,000) were made on trade receivables from goods and services with significant balances from large multinational and state-owned oil companies. Impairment allowance of RMB36,138,000 (2022: reversal of RMB86,456,000) were made on credit impaired debtors.

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

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

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	71,319	243,062	314,381
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses recognised, net of reversal	37,508	(86,456)	(48,948)
– Transfer to credit-impaired	(34,416)	34,416	–
As at 31 December 2022	74,411	191,022	265,433
Changes due to financial instruments recognised as at 1 January 2023:			
– Impairment losses recognised, net of reversal	**45,692**	**36,138**	**81,830**
– Transfer to credit-impaired	**(40,831)**	**40,831**	**–**
– Write-off	**–**	**(32,953)**	**(32,953)**
As at 31 December 2023	**79,272**	**235,038**	**314,310**

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

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

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

Notes: *(Continued)*

(ii) Other receivables

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

	Past due	Not past due/ No fixed repayment terms	Total
31/12/2023			
Other receivables	**59,068**	**1,408,013**	**1,467,081**
31/12/2022			
Other receivables	51,079	537,102	588,181

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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
As at 1 January 2022	–	–	45,631	45,631
– Impairment losses recognised, net of reversal	–	–	5,448	5,448
As at 31 December 2022	–	–	51,079	51,079
– Impairment losses recognised, net of reversal	–	–	7,989	7,989
As at 31 December 2023	**-**	**-**	**59,068**	**59,068**

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

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

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

31/12/2023

	Weighted average interest rate	On demand or less than 1 year	1-5 years	Total undiscounted	Carrying cash flows amount
Non-derivative financial liabilities					
Trade and notes payables	-	1,819,924	-	1,819,924	1,819,924
Included in accruals and other payables					
– liabilities arising from put option of non-controlling interest	10.000%	276,503	-	276,503	276,503
– others	-	1,377,439	-	1,377,439	1,377,439
Lease liabilities	6.655%	14,714	28,184	42,898	36,100
Short-term borrowings	4.371%	1,213,096	-	1,213,096	1,186,110
Long-term borrowings	5.632%	123,992	358,927	482,919	438,180
Long-term bonds	9.510%	99,540	830,008	929,548	817,474
		4,925,208	1,217,119	6,142,327	5,951,730

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.2 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

31/12/2022

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

33.3 Capital risk management

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

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

The gearing ratios at 31 December 2023 and 2022 were as follows:

	As at 31 December	
	2023	2022
Total borrowings	**4,297,788**	3,566,174
Total equity	**3,420,886**	3,300,809
Total capital	**7,718,674**	6,866,983
Gearing ratio	**56%**	52%

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.4 Fair value estimation

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

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

Financial instruments	Fair value as at 31 December 2023	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Notes receivable	**185,064,000**	Level 3	Fair value is estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk	Discount rate
Financial assets at FVTPL (Note)	**30,000,000**	Level 3	Income approach	Weighted average cost of capital ("WACC")
Financial assets at FVTPL (Note 23(b))	**61,310,000**	Level 1	Quoted prices in active markets	N/A

Note:

As at 31 December 2023, the financial assets at FVTPL represent the Group's investment in an unlisted partnership entity set up in 2022.

Reconciliation of Level 3 fair value measurements

	Notes Receivable	Financial assets at FVTPL
As at 1 January 2023	**132,090**	**30,000**
Additions	**602,137**	**-**
Disposals	**(548,813)**	**-**
Fair value change recognised in other comprehensive income	**(350)**	**-**
Fair value change recognised in profit or loss	**-**	**-**
As at 31 December 2023	**185,064**	**30,000**

Included in other comprehensive income is an amount of RMB1,395,000 loss related to notes receivable at FVTOCI held at the end of current reporting period (Year ended 31 December 2022: RMB1,045,000).

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

33. FINANCIAL RISK MANAGEMENT *(Continued)*

33.4 Fair value estimation *(Continued)*

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

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

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

The carrying amounts and fair values of long-term bonds

As at 31 December 2023	**Carrying value**	**Fair value**
Long-term bonds	**817,474**	**757,782**

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

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

34. RELATED PARTY TRANSACTIONS

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

(a) The following party is related party of the Group during the year ended 31 December 2023:

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

(b) Long-term borrowings and short-term bank borrowings guaranteed by related party

	As at 31 December	
	2023	2022
Long-term borrowings		
Mr. Luo Lin (Note 17(a))	**29,078**	–
Short-term borrowings		
Mr. Luo Lin (Note 17(a))	**693,784**	595,547

(c) Key management compensation

	Year ended 31 December	
	2023	2022
Salaries and other short-term employee benefits	**18,128**	15,525
Pension scheme	**311**	284
Share-based payments	**3,765**	6,927
	22,204	22,736

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

35. SUBSIDIARIES

The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2023 and 2022:

Company name	Place and date of incorporation/ establishment	Registered capital	Equity interest and voting power held by the Group	Place of operations and principal activities
Directly held:				
Anton Limited	Hong Kong, 17 August 2007	HK$100	100%	PRC Investment holding
Indirectly held:				
Anton Oilfield Services Company International Limited	Hong Kong, 17 July 2008	HK$100	100%	PRC Investment holding
Anton Oilfield Services (Group) Ltd. (安東石油技術(集團)有限公司)	Beijing, the PRC, 28 January 2002	US$248,029,000	100%	PRC Oilfield services and sales of equipment
T-ALL Inspection (通奧檢測集團股份有限公司, (formerly 新疆通奧油田技術服務有限公司)	Xinjiang Uygur Autonomous Region, the PRC, 21 February 2002	RMB239,816,318	81%	PRC Oilfield services
Anton Tong'ao Technological Products Co., Limited (安東通奧科技產業股份有限公司)	Xinjiang Uygur Autonomous Region, the PRC, 15 December 2005	RMB90,000,000	90%	PRC Lease of drilling rigs and rods
Shandong Precede	Shandong Province, the PRC, 2 September 2008	RMB100,000,000	100%	PRC Oilfield services and sales of equipment
Anton International FZE	The United Arab Emirates, 12 April 2009	US$7,300,000	100%	Iraq Oilfield services
Sichuan Anton Oil Gas Engineering and Technology Services Co., Ltd. (四川安東油氣工程技術服務有限公司)	Sichuan Province, the PRC, 14 July 2009	RMB400,000,000	100%	PRC Oilfield services and sales of equipment

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

35. SUBSIDIARIES *(Continued)*

The following is a list of principal subsidiaries in which the Company directly or indirectly holds equity interests as at 31 December 2023 and 2022: *(Continued)*

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

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

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

As at 31 December 2023, in the opinion of the Directors, there are no material non-controlling interests need to be disclosed.

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

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2023	2022
Assets		
Non-current assets		
Investments in subsidiaries	**4,979,725**	4,979,725
Current assets		
Prepayments and other receivables	**231,010**	337,944
Cash and cash equivalents	**1,213**	3,216
	232,223	341,160
Total assets	**5,211,948**	5,320,885
Equity and liabilities		
Equity		
Share capital	**276,274**	276,274
Other reserves (a)	**2,472,325**	2,609,048
Total equity	**2,748,599**	2,885,322
Liabilities		
Non-current liabilities		
Long-term bonds	**787,515**	801,835
Current liabilities		
Current portion of long-term bonds	**29,959**	30,771
Accruals and other payables	**1,645,875**	1,602,957
	1,675,834	1,633,728
Total liabilities	**2,463,349**	2,435,563
Total equity and liabilities	**5,211,948**	5,320,885

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

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

Note:

(a) Reserve movements of the Company

	Treasury shares	Share premium	Capital reserve	Accumulated losses	Total
Balance at 1 January 2022	(41,868)	1,049,578	3,106,232	(1,238,065)	2,875,877
Loss for the year	–	–	–	(279,692)	(279,692)
Repurchase of ordinary shares	(11,207)	–	–	–	(11,207)
Share option scheme and restricted share award scheme	–	–	24,070	–	24,070
Vesting of shares under restricted share award scheme	19,616	–	(19,616)	–	–
At 31 December 2022	(33,459)	1,049,578	3,110,686	(1,517,757)	2,609,048
Balance at 1 January 2023	**(33,459)**	**1,049,578**	**3,110,686**	**(1,517,757)**	**2,609,048**
Loss for the year	**-**	**-**	**-**	**(114,177)**	**(114,177)**
Repurchase of ordinary shares	**(35,500)**	**-**	**-**	**-**	**(35,500)**
Share option scheme and restricted share award scheme	**-**	**-**	**12,954**	**-**	**12,954**
Vesting of shares under restricted share award scheme	**18,532**	**-**	**(18,532)**	**-**	**-**
At 31 December 2023	**(50,427)**	**1,049,578**	**3,105,108**	**(1,631,934)**	**2,472,325**

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

37. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

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

For the year ended 31 December 2023:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits (i)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive Directors									
Mr. Luo Lin	-	4,212	1,030	-	89	63	-	-	5,394
Mr. Pi Zhifeng (chief executive)	-	1,910	254	-	82	58	-	-	2,304
Mr. Fan Yonghong	-	2,791	449	-	89	63	-	-	3,392
Non-executive Director									
Mr. Huang Song	-	287	-	-	-	-	-	-	287
Independent Non-executive Directors									
Mr. Zhang Yongyi (ii)	287	-	-	-	-	-	-	-	287
Mr. Zhu Xiaoping (ii)	287	-	-	-	-	-	-	-	287
Dato Wee Yiaw Hin (ii)	705	-	-	-	-	-	-	-	705

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

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

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

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

For the year ended 31 December 2022:

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

Notes:

(i) Other benefits include other insurance premium.

(ii) On 22 November 2023, 15 July 2022 and 1 January 2021, 1,950,000, 1,950,000 and 2,400,000 restricted shares with the fair value of HK$0.435, HK$0.410 and HK$0.435 per share have been conditionally granted to three independent non-executive directors, respectively, and the total expense recognised in the consolidated statement of profit or loss for year ended 31 December 2023 amounted to RMB266,000 (31 December 2022: RMB591,000), the same amount for each independent non-executive director which are not included in this summary.