The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to Morgan Stanley Asia Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

14 December 2011

The Directors
SPT Energy Group Inc.

Morgan Stanley Asia Limited

Dear Sirs,

We report on the financial information of SPT Energy Group Inc. (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2008, 2009, 2010 and 30 June 2011, the balance sheets of the Company as at 31 December 2008, 2009 and 2010 and 30 June 2011, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 14 December 2011 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 28 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1 (b) of Section II headed "General information and group reorganisation" below, which was completed on 14 February 2011, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 (c) of Section II below. All of these companies are private companies, or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Company as it has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation and there is no statutory requirement to do so. The statutory audited financial statements during the Relevant Periods of the companies comprising the Group for which there is a statutory audit requirement has been prepared in accordance with accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 (c) of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with the International Standards on Auditing (the "ISA") issued by the International Auditing and Assurance Standards Board (the "IAASB") pursuant to separate terms of engagement with the Company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2008, 2009, 2010 and 30 June 2011, and of the state of affairs of the Group as at 31 December 2008, 2009, 2010 and 30 June 2011 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2008, 2009, 2010 and 30 June 2011, and for each of the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2011, and financial information of the Company as at 31 December 2008, 2009, 2010 and 30 June 2011 (the "Financial Information"), presented on the basis set out in Note 2(a) below:

(a) Consolidated Balance Sheets

	Section II Note	As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	145,422	150,065	196,433	217,191
Intangible assets	8	243	118	760	644
Deferred income tax assets	19	25,341	32,412	31,826	39,431
Prepayments and other receivables	12	2,959	1,832	7,156	9,019
		173,965	184,427	236,175	266,285
Current assets					
Inventories	10	166,932	193,863	211,065	265,686
Trade and notes receivables	11	294,068	340,294	445,142	339,901
Prepayments and other receivables	12	37,233	37,436	95,888	87,019
Restricted bank deposits	13	1,922	12,455	10,694	2,446
Cash and cash equivalents	13	106,920	106,512	166,721	83,246
		607,075	690,560	929,510	778,298
Total assets		781,040	874,987	1,165,685	1,044,583
EQUITY					
Share capital	14	57	68	68	68
Other reserves	15	28,756	63,937	313,330	151,426
Currency translation difference		(42,148)	(43,534)	(15,228)	(16,367)
Retained earnings		343,920	426,610	303,837	341,570
Equity attributable to the Company's equity holders		330,585	447,081	602,007	476,697
Non-controlling interests		—	—	(57)	27,809
Total equity		330,585	447,081	601,950	504,506

(a) Consolidated Balance Sheets (Continued)

	Section II Note	As at 31 December 2008	2009	2010	As at 30 June 2011
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-Current liabilities					
Deferred income tax liabilities	19	1,060	434	434	56
Current liabilities					
Borrowings	16	105,346	60,000	159,975	292,216
Trade payables	17	109,668	108,947	269,210	188,721
Accruals and other payables	18	118,215	108,076	61,114	37,744
Income tax liabilities		116,166	150,449	73,002	21,340
		449,395	427,472	563,301	540,021
Total liabilities		450,455	427,906	563,735	540,077
Total equity and liabilities		781,040	874,987	1,165,685	1,044,583
Net current assets		157,680	263,088	366,209	238,277
Total assets less current liabilities		331,645	447,515	602,384	504,562

(b) Company Balance Sheets

	Section II Note	As at 31 December 2008	2009	2010	As at 30 June 2011
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Interests in subsidiaries	9	—	33,877	276,286	276,286
Current assets					
Prepayments and other receivables	12	57	68	7,837	13,086
Cash and cash equivalents	13	—	1,536	1,666	901
		57	1,604	9,503	13,987
Total assets		57	35,481	285,789	290,273
EQUITY					
Share capital	14	57	68	68	68
Other reserves	15	—	33,000	276,899	276,899
Retained earnings		—	—	(2)	(738)
Total equity		57	33,068	276,965	276,229
LIABILITIES					
Current liabilities					
Accruals and other payables	18	—	2,413	8,824	14,044
Total liabilities		—	2,413	8,824	14,044
Total equity and liabilities		57	35,481	285,789	290,273
Net current assets/(liabilities)		57	(809)	679	(57)
Total assets less current liabilities		57	33,068	276,965	276,229

(c) Consolidated Income Statements

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue		663,872	911,526	1,050,432	391,979	408,482
Other gains/(losses), net	20	18,169	(44,630)	4,206	(46)	(4,964)
Operating costs						
Material costs		(193,874)	(273,814)	(264,852)	(101,046)	(98,898)
Employee benefit expenses	21	(99,088)	(154,629)	(208,952)	(77,461)	(91,784)
Operating lease expenses		(17,910)	(27,623)	(36,400)	(14,464)	(18,241)
Transportation costs		(33,655)	(35,577)	(51,228)	(23,126)	(24,508)
Depreciation and amortisation		(18,519)	(26,854)	(31,542)	(15,446)	(18,981)
Technical service expenses		(15,777)	(90,990)	(139,410)	(48,348)	(32,596)
Impairment loss of assets		(58,536)	—	—	—	(1,283)
Others		(97,990)	(104,324)	(141,321)	(53,512)	(48,675)
		(535,349)	(713,811)	(873,705)	(333,403)	(334,966)
Operating profit	22	146,692	153,085	180,933	58,530	68,552
Finance income	23	665	278	339	234	152
Finance costs	23	(6,087)	(5,582)	(5,689)	(1,855)	(3,681)
Finance cost, net		(5,422)	(5,304)	(5,350)	(1,621)	(3,529)
Profit before income tax		141,270	147,781	175,583	56,909	65,023
Income tax expense	24	(45,926)	(62,978)	(56,140)	(17,976)	(18,663)
Profit for the year/period		95,344	84,803	119,443	38,933	46,360
Attributable to:						
Equity holders of the Company		95,344	84,803	119,509	38,944	47,241
Non-controlling interests		—	—	(66)	(11)	(881)
		95,344	84,803	119,443	38,933	46,360
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company	27	1.14	0.86	1.20	0.39	0.47

(d) Consolidated Statements of Comprehensive Income

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period		95,344	84,803	119,443	38,933	46,360
Other comprehensive income:						
Currency translation differences		(22,360)	(1,386)	(9,409)	(473)	(1,123)
Total comprehensive income for the year/ period		72,984	83,417	110,034	38,460	45,237
Attributable to:						
Equity holders of the Company		72,984	83,417	110,094	38,471	46,102
Non-controlling interests		—	—	(60)	(11)	(865)
		72,984	83,417	110,034	38,460	45,237

(e) Consolidated Statements of Changes in Equity

		Equity attributable to owners of parent						
	Section II	Share capital	Other reserves	Currency translation difference	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		—	10,961	(19,788)	279,611	270,784	(1,968)	268,816
Comprehensive income								
Profit for the year		—	—	—	95,344	95,344	—	95,344
Other comprehensive income								
Currency translation differences		—	—	(22,360)	—	(22,360)	—	(22,360)
Total comprehensive income		—	—	(22,360)	95,344	72,984	—	72,984
Transactions with owners								
Issuance of ordinary shares	14	57	—	—	—	57	—	57
Contribution to subsidiaries by their then equity owners	15	—	10,377	—	—	10,377	—	10,377
Acquisition of non-controlling interests	15	—	460	—	(2,428)	(1,968)	1,968	—
Transfer to statutory reserves	15	—	6,958	—	(6,958)	—	—	—
Dividends	25	—	—	—	(21,649)	(21,649)	—	(21,649)
Total transactions with owners		57	17,795	—	(31,035)	(13,183)	1,968	(11,215)
Balance at 31 December 2008		57	28,756	(42,148)	343,920	330,585	—	330,585
Comprehensive income								
Profit for the year		—	—	—	84,803	84,803	—	84,803
Other comprehensive income								
Currency translation differences		—	—	(1,386)	—	(1,386)	—	(1,386)
Total comprehensive income		—	—	(1,386)	84,803	83,417	—	83,417
Transactions with owners								
Issuance of ordinary shares	14	11	—	—	—	11	—	11
Contribution to subsidiaries by their then equity owners	15	—	945	—	—	945	—	945
Share-based payment	15&21	—	33,000	—	—	33,000	—	33,000
Transfer to statutory reserves	15	—	2,113	—	(2,113)	—	—	—
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	15	—	(877)	—	—	(877)	—	(877)
Total transactions with owners		11	35,181	—	(2,113)	33,079	—	33,079
Balance at 31 December 2009		68	63,937	(43,534)	426,610	447,081	—	447,081

(e) Consolidated Statements of Changes in Equity (Continued)

		Equity attributable to owners of parent						
	Section II Note	Share capital	Other reserves	Currency translation difference	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		68	63,937	(43,534)	426,610	447,081	—	447,081
Comprehensive income								
Profit for the year		—	—	—	119,509	119,509	(66)	119,443
Other comprehensive income								
Currency translation differences		—	—	(9,415)	—	(9,415)	6	(9,409)
Total comprehensive income		—	—	(9,415)	119,509	110,094	(60)	110,034
Translation with owners								
Contribution to subsidiaries by their then equity owners	15	—	8,000	—	—	8,000	3	8,003
Share-based payment	15&21	—	31,000	—	—	31,000	—	31,000
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	15	—	(9,939)	—	—	(9,939)	—	(9,939)
Transfer to statutory reserves	15	—	7,433	—	(7,433)	—	—	—
Capital reserves arising from waived payables due to equity owners	15	—	212,899	—	—	212,899	—	212,899
Deemed distribution to the equity owners	2(b)	—	—	37,721	(234,849)	(197,128)	—	(197,128)
Total transactions with owners		—	249,393	37,721	(242,282)	44,832	3	44,835
Balance at 31 December 2010		68	313,330	(15,228)	303,837	602,007	(57)	601,950

(e) Consolidated Statements of Changes in Equity (Continued)

	Section II Note	Equity attributable to owners of parent					Non-controlling interests	Total Equity
		Share capital	Other reserves	Currency translation difference	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011		68	313,330	(15,228)	303,837	602,007	(57)	601,950
Comprehensive income								
Profit for the period		—	—	—	47,241	47,241	(881)	46,360
Other comprehensive income								
Currency translation differences		—	—	(1,139)	—	(1,139)	16	(1,123)
Total comprehensive income		—	—	(1,139)	47,241	46,102	(865)	45,237
Transactions with owners								
Contribution to subsidiaries by their then equity owners	15	—	—	—	—	—	15,357	15,357
Deemed distribution to the equity owners	15	—	(3,866)	—	(9,508)	(13,374)	13,374	—
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	15	—	(158,038)	—	—	(158,038)	—	(158,038)
Total transactions with owners		—	(161,904)	—	(9,508)	(171,412)	28,731	(142,681)
Balance at 30 June 2011		68	151,426	(16,367)	341,570	476,697	27,809	504,506
Balance at 1 January 2010		68	63,937	(43,534)	426,610	447,081	—	447,081
Comprehensive income								
Profit for the period		—	—	—	38,944	38,944	(11)	38,933
Other comprehensive income								
Currency translation differences		—	—	(473)	—	(473)	—	(473)
Total comprehensive income		—	—	(473)	38,944	38,471	(11)	38,460
Transactions with owners								
Contribution to subsidiaries by their then equity owners	15	—	—	—	—	—	3	3
Total transactions with owners		—	—	—	—	—	3	3
Balance at 30 June 2010 (Unaudited)		68	63,937	(44,007)	465,554	485,552	(8)	485,544

(f) Consolidated Cash Flow Statements

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Net cash inflows from operations	28(a)	35,014	143,729	141,289	77,435	64,808
Interest paid		(2,290)	(8,446)	(4,225)	(1,605)	(4,008)
Interest received		604	233	339	234	152
Income tax paid		(50,109)	(37,370)	(69,545)	(53,024)	(78,493)
Net cash generated from/(used in) operating activities		(16,781)	98,146	67,858	23,040	(17,541)
Cash flows from investing activities						
Purchases of property, plant and equipment		(111,507)	(62,751)	(98,532)	(44,253)	(53,052)
Proceeds from disposal of property, plant and equipment		35,598	10,989	10,828	9,829	4,833
Purchase of land use right		—	—	—	—	(6,500)
Purchase of intangible assets		(26)	(6)	(804)	(13)	(57)
Net cash used in investing activities		(75,935)	(51,768)	(88,508)	(34,437)	(54,776)
Cash flows from financing activities						
Proceeds from borrowings		125,346	65,000	214,516	40,000	258,506
Repayments of borrowings		(22,000)	(110,346)	(114,541)	(40,000)	(126,265)
Net cash outflow arising from deemed distribution to the equity owners	28(b)	—	—	(15,248)	—	—
Contribution to subsidiaries by their then equity owners		877	945	8,003	3	15,357
Dividends paid		(9,958)	—	—	—	—
Consideration paid to their then equity holders for acquisition of subsidiaries under common control		—	—	(9,939)	—	(158,038)
Net cash generated from/(used in) financing activities		94,265	(44,401)	82,791	3	(10,440)
Net increase/(decrease) in cash and cash equivalents		1,549	1,977	62,141	(11,394)	(82,757)
Cash and cash equivalents, at beginning of the year/period		109,269	106,920	106,512	106,512	166,721
Exchange loss on cash and cash equivalents		(3,898)	(2,385)	(1,932)	(386)	(718)
Cash and cash equivalents at end of the year/period		106,920	106,512	166,721	94,732	83,246

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

(a) General Information of the Group

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, PO Box 2804, George Town, Grand Cayman KY-1112, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in provision of oilfield services including drilling, well completion, reservoir, with ancillary activities in trading and manufacturing of oilfield services related products (the "Oilfield Services Business") in mainly the People's Republic of China (the "PRC"), Republic of Kazakhstan ("Kazakhstan") and Canada. The ultimate controlling party of the Group is Mr. 王國强 (Mr. Wang Guoqiang) and Mr. 吳東方 (Mr. Wu Dongfang) (collectively referred to as the "Controlling Shareholders").

(b) Reorganisation and formation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Oilfield Services Business is carried out by the subsidiaries now comprising the Group and other operating companies as set out in Note 1(c) below that all are controlled by the Controlling Shareholders. Pursuant to the Reorganisation, the Oilfield Services Business is transferred to the Company and the Reorganisation involved the following:

(i) On 12 June 2008, the Company was incorporated by the Controlling Shareholders with authorised share capital of US$50,000 comprised 500,000,000 shares of US$0.0001 each.

(ii) On 18 June 2008, SPT Energy (Hong Kong) Limited ("SPT HK") was incorporated by the Controlling Shareholders with authorised share capital of HK$1,000,000. On 27 February 2009, the Company acquired the entire equity interest of SPT HK for a consideration of HK$1,000,000.

(iii) On 3 December 2010, SPT HK, through its newly incorporated investment holdings companies acquired from the Controlling Shareholders their entire equity interest of CNEC Limited Liability Partnership, M-Techservice Limited Liability Partnership and FD Services Limited Liability Partnership.

(iv) On 20 December 2010, the Controlling Shareholders transferred all their equity interests in Pioneer Petrotech Services Inc. and Enecal Canada Corporation to North America Holding (Netherlands) B.V.

(v) On 6 January 2011 and 14 February 2011, SPT HK acquired the entire equity interest in 廊坊華油能源石油設備有限公司 (Langfang SPT Energy Limited; "POT") and 諾斯石油工具（天津）有限公司 (North Resource Oil Tools Ltd.) respectively from Pioneer Petrotech Services Inc, which was beneficially owned by the Controlling Shareholders.

(vi) On 14 February 2011, POT acquired from the Controlling Shareholders all their 95% equity interests in 北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.) and 北京華油先鋒石油裝備技術有限公司 (Pioneer Sinopetroleum Equipment Ltd.).

(vii) During the Relevant Periods, Sinopetroleum International Limited, National Energy Corp., Canadian National Energy Corp. and North Resources Corp. (collectively known as the "Excluded Entities"), were also engaged in the provision of oilfield services and controlled by the Controlling Shareholders. Effective on 31 December 2010, the Excluded Entities ceased their operations and became inactive, and thereafter, the operating activities of the Excluded Entities are fully taken over by certain subsidiaries now comprising the Group. In this connection, these Excluded Entities are not transferred to the Company and not forming part of the Group.

As a result of the above Reorganisation, the Company became the holding Company of the Group from 14 February 2011.

(c) At the date of this report, the Group had direct and indirect interest in the following principal subsidiaries:

Company name	Country/Place of operation and date of incorporation	Registered/ Issued and paid-up capital	Equity interest held by the Company	Principal activities	Type of legal entity	Statutory auditors (Note)
北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.)	PRC 25 December 1998	RMB 10,000,000	95%	Oil field services	Limited liability entity	(b)(i)
北京華油先鋒石油裝備技術有限公 司 (Pioneer Sinopetroleum Equipment Inc.)	PRC 14 January 2000	RMB 10,000,000	95%	Manufacturing	Limited liability entity	(b)(i)
北京華油油氣工程科技有限公司 (Sinopetroleum Engineering Technology Co., Ltd.)	PRC 11 January 2006	RMB 15,600,000	95%	Trading	Limited liability entity	(b)(ii)
廊坊華油能源石油設備有限公司 (Langfang SPT Energy Limited)	PRC 29 August 2001	RMB 1,000,000	100%	Trading	Limited liability entity	(b)(iii)
諾斯石油工具(天津) 有限公司 (North Resource Oil Tools Limited)	PRC 2 March 2006	RMB 1,000,000	100%	Manufacturing	Limited liability entity	(b)(iv)
新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co., Ltd.)	PRC 13 November 2006	RMB 43,220,000	100%	Oil field services	Limited liability entity	(b)(v)
M-Tech service Limited Liability Partnership	Kazakhstan 14 November 2003	KZT 87,200	100%	Oil field services	Limited liability partnership	(a)
CNEC Limited Liability Partnership	Kazakhstan 21 December 2005	KZT 100,000	100%	Oil field services	Limited liability partnership	(a)
FD Services Limited Liability Partnership	Kazakhstan 10 February 2006	KZT 110,000	100%	Oil field services	Limited liability partnership	(a)
Pioneer Petrotech Services Inc.	Canada 26 October 1999	CAD 15	100%	Manufacturing	Limited liability entity	(a)
Enecal Canada Corporation	Canada 22 November 2000	CAD 86	100%	Trading	Limited liability entity	(a)
SPT Energy (Hong Kong) Ltd.	Hong Kong 18 June 2008	HKD 1,000,000	100%	Investment holding	Limited liability entity	(b)(vi)
SPT Oil Field Service Inc. Limited	Hong Kong 21 April 2009	HKD 100,000	100%	Trading	Limited liability entity	(b)(vii)
DFW Oil Mechanical Services LLC	Uzbekistan 28 August 2009	USD 10,000	100%	Oil field services	Limited liability entity	(a)
PT. Enecal Indonesia	Indonesia 29 June 2009	USD 1,000,000	100%	Oil field services	Limited liability entity	(b)(viii)
Enecal PTE. Limited	Singapore 26 May 2009	SGD 3,550,000	63.2%	Trading	Limited liability entity	(b)(ix)

Company name	Country/Place of operation and date of incorporation	Registered/ Issued and paid-up capital	Equity interest held by the Company	Principal activities	Type of legal entity	Statutory auditors (Note)
OS Services (Kazakhstan) Limited Liability Partnership	Kazakhstan 5 January 2010	KZT 151,800	100%	Oil field services	Limited liability partnership	(a)
新疆華油能源工程服務有限公司 (Xinjiang SPT Engineering Service Co., Ltd)	PRC 9 August 2010	RMB 10,000,000	100%	Oil field Services	Limited liability entity	(a)
德威興業(北京)油氣技術服務有限公司 (De Wei Oil & Gas technologies Services Co., Ltd.)	PRC 25 September 2010	RMB 10,000,000	70%	Oil field Services and trading	Limited liability entity	(a)
NE TKM Hyzmat Limited	Turkmenistan 20 September 2010	Manats 142,500	100%	Oil field Services	Limited liability entity	(a)
Dowell LLP	Kazakhstan 14 January 2011	KZT 500,000	100%	Oil field Services	Limited liability partnership	(a)
MGD Services LLP	Kazakhstan 19 January 2011	KZT 151,800	100%	Oil field Services	Limited liability partnership	(a)
HY Oil Technology Service LLP	Kazakhstan 24 January 2011	KZT 151,800	100%	Oil field Services	Limited liability partnership	(a)

Notes:

(a) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(b) The statutory auditors of these companies for the Relevant Periods were as following:

(i) 北京華慶興會計師事務所有限責任公司 (Beijing HuaQingXing Certified Public Accountant Limited) for the years ended 31 December 2008, 2009 and 2010.

(ii) 北京明光會計師事務所 (Beijing Mingguang Certified Public Accountants) for the year ended 31 December 2008; 北京華慶興會計師事務所有限責任公司 (Beijing HuaQingXing Certified Public Accountant Limited) for the years ended 31 December 2009 and 2010.

(iii) 廊坊益華會計師事務所有限公司 (Langfang YiHua Certified Public Accountant Limited) for the years ended 31 December 2008, 2009 and 2010.

(iv) 中瑞岳華會計師事務所有限公司天津分所 (RSM China Certified Public Accountants, Tianjin Branch) for the year ended 31 December 2008; 天津同信有限責任會計師事務所 (Tianjin TongXin Certified Public Accountant Limited) for the year ended 31 December 2009; 北京華通鑒會計師事務所有限責任公司天津分所 (Beijing HuaTongJian Certified Public Accountants, Tianjin Branch) for the year ended 31 December 2010.

(v) 新疆博聞有限責任會計師事務所 (Xinjiang BoWen Certified Public Accountant Limited) for the years ended 31 December 2008, 2009 and 2010.

(vi) M Square Certified Public Accountant Limited for the years ended 31 December 2008, 2009 and 2010.

(vii) M Square Certified Public Accountant Limited for the years ended 31 December 2009 and 2010.

(viii) Trisno, Hendang, Adams & Rekan Registered Public Accountants for the years ended 31 December 2009 and 2010.

(ix) Audit Alliance for the years ended 31 December 2009 and 2010.

(c) The English names of certain subsidiaries referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

2. BASIS OF PRESENTATION

(a) For the purpose of this report, the consolidated financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

The consolidated income statements, consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in equity of the Group for each of the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2011 have been prepared using the financial information of the companies engaged in the Oilfield Business, under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2011, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period. The consolidated balance sheets of the Group as at 31 December 2008, 2009, 2010 and 30 June 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from the Controlling Shareholders' perspective.

(b) The Financial Information also includes the assets, liabilities and results of operations of the Excluded Entities that were historically associated with the Oilfield Business under the common control of the Controlling Shareholders during each of the years ended 31 December 2008, 2009 and 2010 but not transferred to the Company pursuant to the Reorganisation because their businesses have been ceased on 31 December 2010. Although the aforementioned Excluded Entities are not transferred to the Company, the Directors considered that the Financial Information should reflect all of the businesses under the common control of the Controlling Shareholders that formed an integral part of the Group's businesses and operations. Accordingly, they were reflected in the Financial Information up to 31 December 2010, the effective date when the Excluded Entities ceased their operations in the Oilfield Business.

The following table sets forth the assets, liabilities and net profit of the Excluded Entities as at/for the years ended 31 December 2008, 2009 and 2010:

	As at 31 December / for the years ended		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Total assets	294,852	290,239	312,903
Total liabilities	171,192	131,186	115,775
Profit for the year	22,209	37,167	45,792

The above total assets and liabilities (including tax provisions) of the Excluded Entities were included in the respective consolidated balance sheets and upon the Excluded Entities ceased their operating activities on 31 December 2010, the assets and liabilities of these Excluded Entities totalling approximately RMB 197,128,000 (Note 28(b)) are reflected and accounted for as a deemed distribution to the equity owners at 31 December 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied throughout the Relevant Periods.

The preparation of these consolidated financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 of this Section.

(a) New standards, amendments and interpretations have been issued which are effective for the financial year beginning 1 January 2011 and have been adopted by the Group.

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

- IAS 1 (Amendment) 'Presentation of financial statements', effective for periods beginning on or after 1 January 2011. The amendment removes the requirement for each item of other comprehensive income to be presented separately in the statement of changes in equity.

- Amendments to IFRS 7, "Financial instruments: disclosures". The amendments were as a result of the May 2010 Improvements to IFRSs (the "May 2010 Improvements") (effective for financial year beginning from 1 January 2011). The May 2010 Improvements clarified certain quantitative disclosures and removed the disclosure requirements on financial assets with renegotiated terms. The Group adopt the May 2010 Improvement on IFRS 7 on 1 January 2011. These amendments have no material impact on the Group's or the Company's financial statements.

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

The following new standards which may be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortised cost or fair value. IFRS 9 also include the requirements related to the classification and measurement of financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

- IFRS13 "Fair Value Measurement" defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after 1 January 2013 but is available for earlier application.

The Group is in the process of reviewing the impact of the above standards and do not expect these standards to have a material impact on the Group's or Company's financial statements at the current stage.

3.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment (Note 3.7). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 Segment reporting

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

3.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains—net."

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement 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

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

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. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains—net' in the income statement.

3.6 Intangible assets

Intangible assets comprised acquired computer software licenses which 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 three to five years.

3.7 Impairment of subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Financial assets

The Group classifies its financial assets into the loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "cash and cash equivalents", "restricted bank deposits", "trade and notes receivable" and "other receivables" in the balance sheet. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

3.8.1 Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a loan and receivable is impaired. Loans and receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including) adverse changes in the payment status of borrowers in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan and receivable's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.9 Inventories

Inventories primarily consist of materials and finished goods used for sales. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the applicable variable selling expenses.

3.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment amounts (Note 3.8.1) previously written off are credited against other operating costs in the income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.12 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.

3.13 Trade payables

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

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

3.14 Borrowings

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

Convertible bonds which are mandatory redeemable at specific date, are classified as liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.15 Current and deferred income tax

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

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

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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date 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 is provided on temporary differences arising on investments in subsidiaries, except 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Employee benefits

(a) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. Employees of entities located in countries other than PRC are covered by other defined-contribution pension plans sponsored by respective government.

(b) Housing benefits

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

(c) Share-based compensation

Certain eligible employees of the Group received equity-settled share-based compensation granted by the Controlling Shareholders in 2009 and 2010, in the form of the shares of the Company as part of compensation for their services to the Group. These shares have no vesting conditions and vested immediately.

The fair value of the shares granted at the grant date would be recognised in income statement as employee benefit expenses. The fair value of the shares granted is determined based on valuation technique as the shares granted were not traded on an active market.

The grant by the Company of 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 as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

3.17 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Provision of services

The Group provides well drilling services, well completion services and reservoir services to its customers. These services are provided on each well according to contracts with customers. These services generally range from a few days to a few months. Customers formally acknowledge satisfactory completion of the services. Provisions of services are recognised in the accounting period in which the services are accepted by the customers and collectability of the related receivables is reasonably assured.

(ii) Sales of goods

Revenue associated with sales of pressure gauges, packers and other goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assumed.

(iii) Lease income

Operating lease income is recognised over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contracts are generally for one year.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.18 Operating lease

(i) Operating lease as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Operating lease as a lesser

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

3.19 Dividend distribution

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

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC, Kazakhstan and Canada with most of the transactions denominated and settled in RMB, KZ Tenge ("KZT") and Canadian Dollar ("CAD") respectively. The Group's purchases from overseas are denominated in US Dollar ("USD"). Foreign exchange risk also arises from certain bank deposits denominated in foreign currencies. The Group is exposed to foreign currency exchange risk primarily with respect to USD.

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

For the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011, if RMB, KZT and CAD had weakened/strengthened by 5% against the USD with all other variables held constant, profit before income tax for the relevant periods would have changed mainly as a result of foreign exchange gains/losses on translation of USD-denominated cash and cash equivalent, trade receivables, payables and foreign exchange losses/gains on translation of USD denominated borrowings.

Profit before income tax increase/(decrease) during the Relevant Periods:

	As at 31 December			As at 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
RMB against USD					
—Weakened 5%	(244)	3,913	(508)	213	(2,908)
—Strengthened 5%	244	(3,913)	508	(213)	2,908
KZT against USD					
—Weakened 5%	(4,377)	(6,231)	(4,346)	(4,412)	(4,350)
—Strengthened 5%	4,377	6,231	4,346	4,412	4,350
CAD against USD					
—Weakened 5%	(239)	(437)	(524)	(417)	(222)
—Strengthened 5%	239	437	524	417	222

(ii) Cash flow and fair value interest rate risk

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

The Group's borrowings were obtained at fixed rates, and expose the Group to fair value interest rate risk.

(b) Credit risk

Credit risk is managed on Group basis. The carrying amounts of bank deposits, trade and notes receivables and other receivables except for prepayments included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has concentrations of credit risk. Five largest customers represented approximately 67%, 72%, 65%, 70% and 70% of the revenues of the Group for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011, respectively. Two of our largest customers individually contribute more than 10% of total sales. These entities are related entities of PetroChina Company Limited ("Petrochina"), a PRC state owned enterprise with high credit rating. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The Group's trade receivables from PetroChina and its related entities as at 31 December 2008, 2009, 2010 and 30 June 2011 amounted to RMB219,993,000, RMB312,603,000, RMB328,311,000 and RMB265,533,000 respectively. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

As at 31 December 2008, 2009, 2010 and 30 June 2011, cash and cash equivalents and restricted cash, were deposited in the major financial institutions in the PRC, Kazakhstan, Canada, Hong Kong and Singapore, which the directors of the company believe are of good credit quality. The table below shows the bank deposit balances as at 31 December 2008, 2009, 2010 and 30 June 2011:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
PRC state owned listed banks	24,402	36,372	91,372	30,361
Other listed banks	69,260	30,184	50,517	35,789
Kazakhstan government-owned banks	—	41,568	33,605	15,751
Others	15,180	10,843	1,921	3,791
Total	108,842	118,967	177,415	85,692

The Group's credit sales are only made to customers with appropriate credit history and the new customers who are entities owned or managed by the Group's several major customers who have no default history. Most of the credit period is six months.

(c) Liquidity risk

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

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

Less than 1 year	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term borrowings	110,438	61,165	164,238	296,719
Trade payables	109,668	108,947	269,210	188,721
Accruals and other payables	80,461	79,934	10,266	6,852
Total	300,567	250,046	443,714	492,292

(d) 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 or capital.

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

The Group monitors capital on the basis of the gearing ratio and normally maintain gearing ratio below 50%. This ratio is calculated as total borrowings divided by total capital. Total borrowings include 'borrowings' as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2008, 2009, 2010 and 30 June 2011 are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	105,346	60,000	159,975	292,216
Total equity	330,585	447,081	601,950	504,506
Gearing ratio	31.9%	13.4%	26.6%	57.9%

The gearing ratio increased from 26.6% as at 31 December 2010 to 57.9% as at 30 June 2011 is primarily due to loans of RMB134 million from related parties in June 2011.

(e) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables; and financial liabilities including trade and other payables and short-term borrowings, approximate their fair values due to their short maturities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Despite the significant increase in the gross balance of trade receivables as of 31 December 2010, no further impairment provision of trade receivables needs to be made because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history. Any default from our major customers could have an adverse impact on our future results.

(c) Impairment of inventories

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

6. SEGMENT INFORMATION

The CODM has been identified as the Chief Executive Officer, vice presidents and directors of the Company who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on these report.

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

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

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

(a) Revenues

Revenue recognised during the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Drilling	110,589	310,162	343,822	117,079	128,707
Well completion	245,025	268,420	323,808	121,332	74,610
Reservoir	308,258	332,944	382,802	153,568	205,165
	663,872	911,526	1,050,432	391,979	408,482

The measurement of profit or loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the reportable segments based on profit or loss before income tax expense, depreciation and amortisation, interest income and finance costs ('EBITDA').

(b) Segment information

The segment information for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 are as follows:

	Drilling	Well completion	Reservoir	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Revenue from external customers	110,589	245,025	308,258	663,872
EBITDA	40,923	25,341	125,329	191,593
Depreciation and amortisation	(3,421)	(9,170)	(5,928)	(18,519)
Income tax expense	(12,192)	(5,257)	(38,817)	(56,266)
Inventories impairment loss	—	(58,536)	—	(58,536)
Total assets	148,439	186,895	245,680	581,014
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	21,607	47,874	60,228	129,709
Year ended 31 December 2009				
Revenue from external customers	310,162	268,420	332,944	911,526
EBITDA	99,829	51,771	133,583	285,183
Depreciation and amortisation	(10,221)	(8,621)	(8,012)	(26,854)
Income tax expense	(31,217)	(15,032)	(43,744)	(89,993)
Total assets	161,334	302,715	223,404	687,453
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	22,266	19,269	23,901	65,436
Year ended 31 December 2010				
Revenue from external customers	343,822	323,808	382,802	1,050,432
EBITDA	98,759	57,635	141,628	298,022
Depreciation and amortisation	(11,419)	(10,837)	(9,286)	(31,542)
Income tax expense	(23,735)	(12,718)	(35,965)	(72,418)
Total assets	278,430	308,856	292,130	879,416
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	30,410	28,640	33,858	92,908

	Drilling	Well completion	Reservoir	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2011				
Revenue from external customers	128,707	74,610	205,165	408,482
EBITDA	34,147	9,814	77,871	121,832
Depreciation and amortisation	(7,231)	(5,609)	(6,141)	(18,981)
Income tax expense	(7,726)	(1,207)	(20,588)	(29,521)
Bad debt provision of receivables	—	(1,057)	—	(1,057)
Total assets	263,835	257,665	343,083	864,583
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	14,798	8,578	23,588	46,964
Six months ended 30 June 2010 (unaudited)				
Revenue from external customers	117,079	121,332	153,568	391,979
EBITDA	28,641	15,823	56,935	101,399
Depreciation and amortisation	(5,593)	(5,064)	(4,789)	(15,446)
Income tax expense	(7,281)	(3,399)	(16,471)	(27,151)
Total assets	206,958	310,775	171,435	689,168
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	8,883	9,206	11,652	29,741

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
EBITDA for reportable segments	191,593	285,183	298,022	101,399	121,832
Unallocated expenses					
—Share-based payments	—	(33,000)	(31,000)	—	—
—Other gains/(losses), net	18,169	(44,630)	4,206	(46)	(4,964)
—Unallocated overhead expenses	(44,551)	(27,614)	(58,753)	(27,377)	(29,335)
	(26,382)	(105,244)	(85,547)	(27,423)	(34,299)
	165,211	179,939	212,475	73,976	87,533
Depreciation and amortisation	(18,519)	(26,854)	(31,542)	(15,446)	(18,981)
Finance costs	(6,087)	(5,582)	(5,689)	(1,855)	(3,681)
Finance income	665	278	339	234	152
Profit before tax	141,270	147,781	175,583	56,909	65,023

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

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

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets for reportable segments	581,014	687,453	879,416	864,583
Unallocated assets				
—Deferred income tax assets	25,341	32,412	31,826	39,431
—Unallocated inventories	30,915	7,970	20,519	17,046
—Unallocated prepayment and other receivables	34,928	28,185	56,509	37,831
—Restricted bank deposits	1,922	12,455	10,694	2,446
—Cash and cash equivalents	106,920	106,512	166,721	83,246
	200,026	187,534	286,269	180,000
Total assets per balance sheet	781,040	874,987	1,165,685	1,044,583

(c) Geographical segment

The following table shows revenue by geographical segment according to the country of domicile (location of its main operation) of entities in the Group:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC	270,796	373,735	441,847	160,818	122,674
Kazakhstan	263,487	357,776	462,137	148,376	218,309
Canada	129,589	177,636	91,375	47,253	38,719
Singapore	—	2,333	40,549	30,107	17,917
Others	—	46	14,524	5,425	10,863
	663,872	911,526	1,050,432	391,979	408,482

The following table shows the non-current assets other than deferred tax assets by geographical segment according to the country of domicile of the respective entities in the Group:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	53,787	65,652	75,050	79,266
Kazakhstan	83,940	72,721	109,039	130,044
Canada	10,897	11,494	13,474	10,865
Singapore	—	—	525	485
Others	—	2,148	6,261	6,194
	148,624	152,015	204,349	226,854

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008						
Cost	11,725	40,473	19,847	21,135	8,829	102,009
Accumulated depreciation	(580)	(12,844)	(7,615)	(6,004)	—	(27,043)
Net book value	11,145	27,629	12,232	15,131	8,829	74,966
Year ended 31 December 2008						
Opening net book value	11,145	27,629	12,232	15,131	8,829	74,966
Additions	17,230	78,820	9,055	10,095	14,483	129,683
Transfer in / (out)	11,627	—	—	647	(12,274)	—
Depreciation charge	(1,731)	(8,787)	(4,231)	(3,522)	—	(18,271)
Exchange differences	(586)	(3,971)	(448)	(20)	—	(5,025)
Disposals	(7,872)	(24,834)	(2,509)	(716)	—	(35,931)
Closing net book value	29,813	68,857	14,099	21,615	11,038	145,422
At 31 December 2008						
Cost	32,124	90,488	25,945	31,141	11,038	190,736
Accumulated depreciation	(2,311)	(21,631)	(11,846)	(9,526)	—	(45,314)
Net book value	29,813	68,857	14,099	21,615	11,038	145,422
Year ended 31 December 2009						
Opening net book value	29,813	68,857	14,099	21,615	11,038	145,422
Additions	4,816	45,577	5,451	8,428	1,158	65,430
Transfer in / (out)	4,246	2,535	—	—	(6,781)	—
Depreciation charge	(2,353)	(13,621)	(4,598)	(7,032)	—	(27,604)
Exchange differences	(1,710)	(17,789)	(1,582)	(940)	—	(22,021)
Disposals	(242)	(8,951)	(288)	(1,681)	—	(11,162)
Closing net book value	34,570	76,608	13,082	20,390	5,415	150,065
At 31 December 2009						
Cost	39,234	111,860	29,526	36,948	5,415	222,983
Accumulated depreciation	(4,664)	(35,252)	(16,444)	(16,558)	—	(72,918)
Net book value	34,570	76,608	13,082	20,390	5,415	150,065
Year ended 31 December 2010						
Opening net book value	34,570	76,608	13,082	20,390	5,415	150,065
Additions	1,672	63,275	14,263	12,517	377	92,104
Transfer in / (out)	—	215	—	—	(215)	—
Depreciation charge	(2,623)	(16,666)	(4,677)	(7,467)	—	(31,433)
Exchange differences	(179)	(1,444)	(127)	(72)	—	(1,822)
Disposals	—	(11,285)	(268)	(928)	—	(12,481)
Closing net book value	33,440	110,703	22,273	24,440	5,577	196,433
At 31 December 2010						
Cost	40,727	162,621	43,394	48,465	5,577	300,784
Accumulated depreciation	(7,287)	(51,918)	(21,121)	(24,025)	—	(104,351)
Net book value	33,440	110,703	22,273	24,440	5,577	196,433

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2011						
Opening net book value	33,440	110,703	22,273	24,440	5,577	196,433
Additions	10,416	31,766	389	4,336	—	46,907
Transfer in / (out)	5,577	—	—	—	(5,577)	—
Depreciation charge	(1,573)	(11,066)	(2,451)	(3,765)	—	(18,855)
Exchange differences	(172)	(1,055)	(171)	(217)	—	(1,615)
Disposals	—	(2,958)	(6)	(2,715)	—	(5,679)
Closing net book value	47,688	127,390	20,034	22,079	—	217,191
At 30 June 2011						
Cost	56,548	190,374	43,606	49,869	—	340,397
Accumulated depreciation	(8,860)	(62,984)	(23,572)	(27,790)	—	(123,206)
Net book value	47,688	127,390	20,034	22,079	—	217,191
At 1 January 2010						
Cost	39,234	111,860	29,526	36,948	5,415	222,983
Accumulated depreciation	(4,664)	(35,252)	(16,444)	(16,558)	—	(72,918)
Net book value	34,570	76,608	13,082	20,390	5,415	150,065
Six months ended 30 June 2010 (unaudited)						
Opening net book value	34,570	76,608	13,082	20,390	5,415	150,065
Additions	973	18,990	7,820	1,782	163	29,728
Depreciation charge	(1,302)	(8,066)	(2,171)	(3,801)	—	(15,340)
Exchange differences	30	295	40	669	—	1,034
Disposals	—	(9,685)	(106)	(49)	—	(9,840)
Closing net book value	34,271	78,142	18,665	18,991	5,578	155,647
At 30 June 2010 (unaudited)						
Cost	40,237	121,460	37,280	39,350	5,578	243,905
Accumulated depreciation	(5,966)	(43,318)	(18,615)	(20,359)	—	(88,258)
Net book value	34,271	78,142	18,665	18,991	5,578	155,647

As at 31 December 2008, 2009, 2010 and 30 June 2011, certain bank borrowings were secured by property, plant and equipment with net book value of approximately RMB16,135,000, RMB15,144,000, nil and nil respectively (Note 16).

8. INTANGIBLE ASSETS

Intangible assets represent computer software and details are as follows:

	RMB'000
At 1 January 2008	
Cost	1,731
Accumulated amortisation	(1,266)
Net book value	465
Year ended 31 December 2008	
Opening net book value	465
Addition	26
Amortisation charge	(248)
Closing net book value	243
At 31 December 2008	
Cost	1,757
Accumulated amortisation	(1,514)
Net book value	243
Year ended 31 December 2009	
Opening net book value	243
Addition	6
Amortisation charge	(131)
Closing net book value	118
At 31 December 2009	
Cost	1,763
Accumulated amortisation	(1,645)
Net book value	118
Year ended 31 December 2010	
Opening net book value	118
Addition	804
Amortisation charge	(162)
Closing net book value	760
At 31 December 2010	
Cost	2,567
Accumulated amortisation	(1,807)
Net book value	760
Six months ended 30 June 2011	
Opening net book value	760
Addition	57
Amortisation charge	(173)
Closing net book value	644
At 30 June 2011	
Cost	2,624
Accumulated amortisation	(1,980)
Net book value	644

	RMB'000
At 1 January 2010	
Cost	1,763
Accumulated amortisation	(1,645)
Net book value	118
Six months ended 30 June 2010 (unaudited)	
Opening net book value	118
Addition	13
Amortisation charge	(96)
Closing net book value	35
At 30 June 2010 (unaudited)	
Cost	1,776
Accumulated amortisation	(1,741)
Net book value	35

9. INTERESTS IN SUBSIDIARIES—Company

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in subsidiaries	—	33,877	64,877	64,877
Loans to subsidiaries[(a)]	—	—	211,409	211,409
	—	33,877	276,286	276,286

Note:

(a) Included in total assets of the Excluded Entities (Note 2(b)), the Excluded Entities had receivables due from the Group of RMB285,144,000 as at 31 December 2010 comprising RMB1,490,000 receivables from the Company and RMB283,654,000 from certain subsidiaries of the Group ("Payable Subsidiaries").

Pursuant to the Reorganisation, on 31 December 2010, the Company, the Excluded Entities, the Controlling Shareholders and the Payable Subsidiaries entered into a debt restructuring agreement (the "Debt Restructuring Agreement"). Under the Debt Restructuring Agreement, the Company agreed to take over certain payables amounting to approximately RMB211,409,000 originally due by the Payable Subsidiaries to the Excluded Entities and thereby recorded "loans to subsidiaries" of RMB211,409,000. Such loans to subsidiaries are non-trade related, unsecured, interest-free and have no fixed terms of repayment. These loans are considered to be part of the Company's net investment in these subsidiaries.

On the same date, the Controlling Shareholders received a nominal consideration of US$1 to take over from the Company such payables to the Excluded Entities of RMB212,899,000. In this connection, "capital reserve" of RMB212,899,000 is recorded by the Company (Note 15(d)).

As a result of the above transactions, the Group has remaining accounts payable to the Excluded Entities of RMB72,245,000 (Note 17) as at 31 December 2010.

10. INVENTORIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	193,040	219,681	218,980	262,357
Work-in-progress	17,094	15,321	15,688	28,900
Finished goods	15,334	17,397	34,933	32,014
	225,468	252,399	269,601	323,271
Provision for impairment of raw materials	(58,536)	(58,536)	(58,536)	(57,585)
	166,932	193,863	211,065	265,686

The cost of inventories recognised as expense and included in 'material costs' amounted to approximately RMB193,874,000, RMB273,814,000, RMB264,852,000, RMB101,046,000 and RMB98,898,000 for the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2010 and 2011 respectively.

The provision for impairment of raw materials in 2008 relates to raw materials purchased specifically for a project during the financial year ended 31 December 2008. The project was cancelled in that year and these raw materials could not be utilised for other projects of the Group. As at 30 June 2011, the provision for impairment of raw materials amounted to RMB951,000 was written off against the original value of these raw materials to reflect the disposal of the relevant impaired raw materials during the six months ended 30 June 2011.

11. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	294,715	340,048	445,789	341,605
Less: provision for impairment of trade receivables[(a)]	(647)	(647)	(647)	(1,704)
Trade receivables—net	294,068	339,401	445,142	339,901
Notes receivable[(d)]	—	893	—	—
	294,068	340,294	445,142	339,901

Notes:

(a) Movements in impairment of trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At the beginning of the year/period	(647)	(647)	(647)	(647)	(647)
Provision for impairment	—	—	—	—	(1,057)
At the end of the year/period	(647)	(647)	(647)	(647)	(1,704)

(b) As at 31 December 2008, 2009, 2010 and 30 June 2011, trade receivables of approximately RMB4,949,000, RMB18,861,000, RMB21,656,000 and RMB24,875,000, respectively, were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	3,893	11,572	20,265	22,117
1 to 2 years	525	6,522	780	2,593
2 to 3 years	510	304	611	100
Over 3 years	21	463	—	65
	4,949	18,861	21,656	24,875

(c) Ageing analysis of gross trade and notes receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	289,119	321,433	423,486	315,026
6 months - 1 year	3,210	5,537	20,142	19,558
1 - 2 years	1,366	12,070	245	5,118
2 - 3 years	978	973	1,314	67
Over 3 years	42	928	602	1,836
Trade and notes receivables, gross	294,715	340,941	445,789	341,605
Less: Impairment of trade receivables	(647)	(647)	(647)	(1,704)
Trade receivables, net	294,068	340,294	445,142	339,901

(d) Notes receivable are bank acceptance notes with maturity dates within six months.

(e) The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000
RMB	161,004	162,582	274,719	147,418
KZT	97,324	95,505	102,048	121,882
USD	33,553	77,889	59,772	66,771
CAD	2,187	4,318	8,603	3,830
	294,068	340,294	445,142	339,901

(f) Trade and notes receivables are financial assets classified under "loan and receivables". The fair values of trade and notes receivable approximated their carrying values.

(g) Most of the trade receivables are with credit terms of six months, except for retention money amounting to approximately RMB8,120,000, RMB12,601,000, RMB2,830,000 and RMB981,000 as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively.

(h) As at 31 December 2008, 2009, 2010 and 30 June 2011, trade receivables of nil, nil, RMB144,429,000 and RMB18,091,000, respectively, have been pledged for the Group's borrowings (Note 16).

12. PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Advances to suppliers (Non-financial assets)	5,264	11,083	46,535	58,207
Amounts due from related parties (Note 31)	11,293	17,417	22,339	1,287
Other receivables	20,676	8,936	27,014	27,751
Less: provision for impairment of other receivables	—	—	—	(226)
Total financial assets	31,969	26,353	49,353	28,812
	37,233	37,436	95,888	87,019
Non-Current				
Prepayment for the purchase of land use right	—	—	—	6,500
Advances to suppliers (Non-financial assets)	2,959	1,832	7,156	2,519
	2,959	1,832	7,156	9,019
Total	40,192	39,268	103,044	96,038

(a) Aging analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	33,724	22,728	64,867	63,251
6 months - 1 year	3,098	3,126	20,066	25,792
1 - 2 years	3,111	11,814	6,011	3,148
2 - 3 years	198	1,507	10,813	2,561
Over 3 years	61	93	1,287	1,512
Other receivables, gross	40,192	39,268	103,044	96,264
Less: impairment of other receivables	—	—	—	(226)
Other receivables, net	40,192	39,268	103,044	96,038

(b) Amounts due from related parties will be fully settled prior to the listing of the Company's shares.

(c) The carrying amounts of the Group's prepayment and other receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000
RMB	21,813	27,237	48,377	43,565
USD	1,046	2,366	35,534	36,942
KZT	16,428	9,327	17,196	13,808
Others	905	338	1,937	1,723
	40,192	39,268	103,044	96,038

(d) Other receivables and amounts due from related parties are financial assets classified under "loan and receivables". The fair values of other receivables and amounts due from related parties approximated their carrying values due to their short maturity.

(e) Movement in impairment of other receivables are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At the beginning of the year/period	—	—	—	—	—
Provision for impairment	—	—	—	—	(226)
At the end of the year/period	—	—	—	—	(226)

Company

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Advances to suppliers (Non-financial assets)	—	—	7,769	13,018
Amounts due from related parties	51	61	61	61
Other receivables	6	7	7	7
Total financial assets	57	68	68	68
Total	57	68	7,837	13,086

13. CASH AND CASH EQUIVALENTS

Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted bank deposits[(a)]	1,922	12,455	10,694	2,446
Cash and cash equivalents				
—Cash on hand	410	1,392	729	638
—Deposits in bank	106,510	105,120	165,992	82,608
	106,920	106,512	166,721	83,246
	108,842	118,967	177,415	85,692

Notes:

(a) Restricted bank deposits are deposits held as securities for issuance of bank letter of credit.

(b) Bank deposits and cash and cash equivalents which are financial assets classified as "loan and receivables" are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	29,616	31,046	99,191	26,595
USD	58,044	29,014	37,411	35,185
CAD	3,817	5,292	4,114	4,196
KZT	14,796	50,427	34,130	18,256
Others	2,569	3,188	2,569	1,460
	108,842	118,967	177,415	85,692

Company

As at 31 December 2008, 2009, 2010 and 30 June 2011, the Company's bank deposit amounting to nil, RMB1,536,000, RMB1,666,000 and RMB901,000, respectively, are financial assets classified as "loan and receivables" and denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	1,536	1,666	822
Others	—	—	—	79
	—	1,536	1,666	901

14. SHARE CAPITAL

	Number of share	Nominal value
	(Thousands)	RMB'000
Authorised:		
Ordinary shares of US$0.0001 each at 31 December 2008, 2009, 2010 and 30 June 2011	500,000	345

On 1 December 2011, the shareholders of the Company approved to increase the authorised share capital of the Company from US$50,000 divided into 500,000,000 shares of par value US$0.0001 each to US$200,000 divided into 2,000,000,000 shares of par value US$0.0001 each, which rank in pari passu in all respect with shares as at date of the resolution.

	Number of share (Thousands)	Nominal value RMB'000
Issued:		
Upon incorporation		
Ordinary shares of US$0.0001 each issued and allotted upon incorporation on 12 June 2008	—	—
Issuance of additional ordinary shares of US$0.0001 each	84,000	57
As at 31 December 2008	84,000	57
As at 1 January 2009	84,000	57
Issuance of additional ordinary shares of US$0.0001 each	16,000	11
As at 31 December 2009	100,000	68
As at 31 December 2010 and 30 June 2011	100,000	68

Pursuant to a resolution in writing of the shareholders of the Company passed on 1 December 2011, conditional upon the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the global offering, the directors are authorised to allot and issue a total of 900,000,000 shares, credited as fully paid at par, to the shareholders whose names appear on the register of members of the Company as at the date of close of business on 1 December 2011 by way of capitalisation of US$90,000 standing to the credit of the share premium account of the Company. The 900,000,000 shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

15. OTHER RESERVES

Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Merger reserves[(a)]	13,739	13,807	11,868	(148,895)
Share-based payments[(b)]	—	33,000	64,000	64,000
Statutory reserves[(c)]	15,017	17,130	24,563	23,422
Capital reserves[(d)]	—	—	212,899	212,899
	28,756	63,937	313,330	151,426

Company

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share-based payments[(b)]	—	33,000	64,000	64,000
Capital reserves[(d)]	—	—	212,899	212,899
	—	33,000	276,899	276,899

Notes:

(a) Merger reserves

	RMB'000
At 1 January 2008	2,902
Contribution to subsidiaries by their then equity owners	10,377
Acquisition of non-controlling interests	460
At 31 December 2008	13,739
Contribution to subsidiaries by their then equity owners	945
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	(877)
At 31 December 2009	13,807
Contribution to subsidiaries by their then equity owners	8,000
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	(9,939)
At 31 December 2010	11,868
Consideration paid to their then equity holders for acquisition of subsidiaries under common control	(158,038)
Deemed distribution to the equity owners	(2,725)
At 30 June 2011	(148,895)

The Company was incorporated during the year ended 31 December 2008 and the Reorganisation was completed on 14 February 2011. For the purpose of the consolidated financial statements, the merger reserve in the consolidated balance sheets as at 31 December 2008, 2009 and 2010 primarily represents: (1) the aggregate of consideration paid/payable for the acquisitions of subsidiaries under common control upon the Reorganisation; and (2) the combined share capital of the companies now comprising the Group before the Reorganisation, after elimination of investments in subsidiaries.

(b) Share-based compensation in 2009 and 2010

Certain eligible employees of the Group received equity-settled share-based compensation granted by the Controlling Shareholders, in the form of the shares of the Company as part of their compensations for services rendered to the Group. These shares were transferred with no vesting conditions and vested immediately.

In January 2009, the Controlling Shareholders transferred 5,000,000 ordinary shares of the Company or 5% of the then total share capital of the Company to certain existing employees.

In December 2010, a further 2,560,000 ordinary shares or 2.56% of the then total share capital of the Company was transferred by the Controlling shareholders to certain new and existing employees of the Company.

Fair value of shares issued to employees

The fair value of the shares transferred on January 2009 was determined by using their market value. The market value was determined using income approach with discounted cashflow method ("DCF"). The DCF used the weighted average cost of capital of ranging from 11.17% to 18.66% as the discount rate of the expected cash flows. The DCF value was further discounted for the lack of marketability and control by 43.3% and 20%.

The fair value of the shares transferred on December 2010 was determined by using their market value. The market value was determined using the DCF. The DCF used the weighted average cost of capital ranging from 11.69% to 18.84% as discount rate of the expected cash flow. The DCF value was further discounted for the lack of marketability and control by 13.9% and 20%.

(c) Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For each of the years ended 31 December 2008, 2009 and 2010, 10% of statutory net profit of each entity was appropriated to this reserve. This reserve is non-distributable.

	RMB'000
At 1 January 2008	8,059
Appropriation	6,958
At 31 December 2008	15,017
Appropriation	2,113
At 31 December 2009	17,130
Appropriation	7,433
At 31 December 2010	24,563
Deemed distribution to the equity owners	(1,141)
At 30 June 2011	23,422

(d) Capital reserves

Pursuant to the Reorganisation as mentioned in Note 2(b) and Note 9 (a), on 31 December 2010, the Company, the Excluded Entities, the Controlling Shareholders and certain subsidiaries of the Group (the "Payable Subsidiaries") entered into a debt restructuring agreement (the "Debt Restructuring Agreement"). Under the Debt Restructuring Agreement, the Company agreed to take over certain payables amounting to approximately RMB211,409,000 originally due by the Payable Subsidiaries to the Excluded Entities. The Controlling Shareholders received a nominal consideration of USD1 to take over from the Company such payables of RMB211,409,000 due to the Excluded Entities and as well as payable by the Company to the Excluded Entities of RMB1,490,000. In this connection, "capital reserve" of RMB212,899,000 is recorded by the Company.

16. BORROWINGS

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings[(a)]				
—Unsecured	—	23,000	80,000	110,000
—Secured	37,000	37,000	79,975	13,199
Secured Convertible Notes[(b)]	68,346	—	—	—
Loan from third party[(c)]	—	—	—	35,000
Loan from related parties (Note 31)[(d)]	—	—	—	134,017
	105,346	60,000	159,975	292,216

(a) Bank borrowings:

(i) All the Group's bank borrowings are repayable in 12 months, bear fixed interest rates and are denominated in RMB.

(ii) The interest rates of the Group's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
RMB borrowings	5.31% - 7.47%	5.31%	5.31% - 6.12%	5.31% - 7.57%

(iii) The collaterals of the Group's secured bank borrowings are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment and certain subsidiaries*	37,000	37,000	—	—
Personal guarantee provided by the Controlling Shareholders and certain subsidiaries and certain trade receivables**	—	—	79,975	13,199
	37,000	37,000	79,975	13,199

* The bank borrowings of RMB37,000,000, RMB37,000,000, nil and nil are secured by certain subsidiaries and certain property, plant and equipment of the Group, with aggregate carrying amount of RMB16,135,000, RMB15,144,000, nil and nil as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively (Note 7).

** As at 31 December 2010 and 30 June 2011, the Group's bank borrowings of RMB79,975,000 and RMB13,199,000, respectively, were jointly guaranteed by Mr. 王國强 (Mr. Wang Guoqiang) and Mr. 吳東方 (Mr. Wu Dongfang), the Controlling Shareholders, and certain subsidiaries and certain trade receivables of the Group, with total carrying amount of RMB144,429,000 and RMB18,091,000, respectively (Note 11).

(iv) The carrying amounts of Group's bank borrowings approximate their fair value due to their short maturity period.

(v) The Group has the following undrawn bank borrowing facilities:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rates				
—Expiring more than one year	—	—	25	369

(b) Secured convertible notes

In September 2008, SPT Energy (Hong Kong) Limited ("SPT HK", a subsidiary of the Company), the Controlling Shareholders and China Renaissance Capital Investment Inc. ("CRCI", an independent party not related to the Group) entered into a subscription agreement ("the Agreement"). Pursuant to the Agreement, SPT HK agreed to issue to CRCI certain secured convertible notes (the "Notes") of US$10,000,000 or equivalent to RMB68,346,000 (the "Loan").

The Notes were secured by the Controlling Shareholders' interests in (a) SPT HK, and (b) certain subsidiaries of the Company incorporated in Kazakhstan. The Notes will mature in six months if not converted by CRCI into shares and bear interest at a rate of 18% per annum.

The Notes are convertible into shares of SPT HK any time during this six months period at stipulated conversion price, subject to certain adjustments. The number of shares to be issued on conversion of the Notes will be determined by dividing the then outstanding principal amount of the Notes (including all accrued and unpaid interest) to be converted by conversion price.

The entire outstanding principal and accrued interest of the Notes were repaid in February 2009.

(c) Loan from third party

Loan from third party is unsecured, repayable in 6 months, bearing fixed interest rates of 7.28% and denominated in RMB. Its carrying amounts approximate its fair value due to the short maturity period.

(d) Loan from related parties

Loan from related parties is unsecured, non-interest bearing and repayable on demand. As at 30 June 2011, the loan from related parties denominated in RMB and USD amounted to RMB 68,000,000 and RMB 66,017,000 respectively. Loan from related parties will be fully settled prior to the listing of the Company's shares.

(e) Bridging loan

The Company entered into a bridge term loan agreement with CITIC Bank International Limited ('the lender") on 27 October 2011. Under the loan agreement, the lender granted the Company a facility up to US$20 million consisting of two tranches, of each up to US$10 million and bearing an interest rate of the applicable London Interbank Offered Rate plus 2.5%. The proceeds from the first tranche will be used to repay a portion of loans from related parties and the second tranche will be for the Company's working capital purposes. The term loan is secured by a bank account of an entity controlled by the Controlling Shareholders as well as personal guarantee from the Controlling Shareholders in favour of the lender, in connection with the first tranche of the term loan. Both securities will be released prior to the listing of the Company's shares. The first tranche was drawn down on 25 November 2011 and was used to repay a portion of loan from related parties on the same date.

17. TRADE PAYABLES

(a) Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	88,575	80,251	245,239	112,451
6 months to 1 year	15,839	10,850	9,989	64,112
1 - 2 years	4,046	16,575	3,413	6,124
2 - 3 years	361	1,271	10,483	2,653
Over 3 years	847	—	86	3,381
	109,668	108,947	269,210	188,721

(b) The trade payables included amounts payable to a related party of nil, nil, RMB72,245,000 and RMB6,076,000 as at 31 December 2008, 2009, 2010 and 30 June 2011 (Note 31 (3)). These trade payables will be fully settled prior to the listing of the Company's shares.

(c) The fair value of trade payables approximated their carrying value due to their short maturity period.

(d) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000
RMB	55,674	57,453	109,796	102,152
USD	28,125	28,647	107,351	29,353
CAD	1,226	864	2,239	3,582
KZT	24,572	21,304	49,260	53,131
Others	71	679	564	503
	109,668	108,947	269,210	188,721

18. ACCRUALS AND OTHER PAYABLES

Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties (Note 31)	15,965	16,406	883	1,860
Dividend payable (Note 31)	17,493	17,493	—	—
Interest payable	3,432	86	789	181
Others	43,571	45,949	8,594	4,811
Total financial liabilities	80,461	79,934	10,266	6,852
Customer deposits and receipts in advance	26,996	1,007	2,333	5,201
Payroll and welfare payable	8,884	10,079	9,492	13,341
Taxes other than income taxes payable (Note (b))	1,874	17,056	39,023	12,350
Total non-financial liabilities	37,754	28,142	50,848	30,892
	118,215	108,076	61,114	37,744

Ageing analysis of accrual and other payables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	78,759	50,760	59,645	35,505
1 - 2 years	12,488	18,220	1,445	1,333
2 - 3 years	14,337	12,135	24	906
Over 3 years	12,631	26,961	—	—
	118,215	108,076	61,114	37,744

(a) Amounts due to related parties will be fully settled prior to the listing of the Company's shares.

(b) Taxes other than income taxes payable mainly comprise accruals for value-added tax.

(c) The carrying amounts of the Group's accrual and other payables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000	Equivalent in RMB'000
RMB	49,847	61,096	40,276	14,321
USD	58,350	29,974	6,065	9,048
CAD	3,066	279	370	70
KZT	6,683	15,414	12,371	11,718
Others	269	1,313	2,032	2,587
	118,215	108,076	61,114	37,744

Company

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties	—	877	877	877
Amounts due to subsidiaries	—	1,536	7,947	13,167
Total financial liabilities	—	2,413	8,824	14,044

19. DEFERRED TAXATION

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	21,532	18,782	21,776	24,814
Deferred tax assets to be recovered within 12 months	3,809	13,630	10,050	14,617
	25,341	32,412	31,826	39,431
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months	(1,047)	(434)	(434)	(56)
Deferred tax liabilities to be settled within 12 months	(13)	—	—	—
	(1,060)	(434)	(434)	(56)
	24,281	31,978	31,392	39,375

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

	As at 31 December			As at 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At the beginning of the year/period	6,461	24,281	31,978	31,978	31,392
Credited/(charged) to income statement (Note 24)	17,962	8,675	(461)	1,079	8,168
Credited/(charged) to currency translation difference	(142)	(978)	(125)	28	(185)
At the end of the year/period	24,281	31,978	31,392	33,085	39,375

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

Deferred Tax Assets

	Tax losses	Impairment of assets	Unrealised profit*	Future deductible expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	—	—	7,538	35	7,573
Credited to income statement	—	14,634	2,995	281	17,910
(Charged) to currency translation difference	—	—	(142)	—	(142)
At 31 December 2008	—	14,634	10,391	316	25,341
Credited/(charged) to income statement	6,623	—	(2,023)	3,449	8,049
(Charged) to currency translation difference	—	—	(978)	—	(978)
At 31 December 2009	6,623	14,634	7,390	3,765	32,412
Credited/(charged) to income statement	(6,397)	—	6,350	(414)	(461)
(Charged) to currency translation difference	—	—	(125)	—	(125)
At 31 December 2010	226	14,634	13,615	3,351	31,826
Credited to income statement	478	83	4,519	2,710	7,790
(Charged) to currency translation difference	—	—	(185)	—	(185)
At 30 June 2011	704	14,717	17,949	6,061	39,431
At 1 January 2010	6,623	14,634	7,390	3,765	32,412
Credited/(charged) to income statement	(1,717)	—	2,871	(75)	1,079
Credited to currency translation difference	—	—	28	—	28
At 30 June 2010 (unaudited)	4,906	14,634	10,289	3,690	33,519

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

Deferred Tax Liabilities

	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008	206	906	1,112
Charged/(credited) to income statement	841	(893)	(52)
At 31 December 2008	1,047	13	1,060
(Credited) to income statement	(613)	(13)	(626)
At 31 December 2009	434	—	434
Charged to income statement	—	—	—
At 31 December 2010	434	—	434
(Credited) to income statement	(378)	—	(378)
At 30 June 2011	56	—	56
At 1 January 2010	434	—	434
Charged to income statement	—	—	—
At 30 June 2010	434	—	434

(Unaudited)

Details of unrecognised deferred tax are as follows:

(a) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB 792,000 and RMB 1,560,000 and RMB 1,595,000 and RMB 917,000 and RMB 1,682,000 as at 31 December 2008, 2009, 2010, 30 June 2010 and 2011 respectively, in respect of losses amounting to RMB 4,636,000, RMB 9,025,000 and RMB 7,750,000 and RMB 4,511,000 and RMB 5,132,000 as at those dates, respectively, that can be carried forward against future taxable income and will expire between 2011 and 2015.

(b) Pursuant to the Corporate Income Tax Law in the PRC, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

As at 31 December 2008, 2009, 2010 and 30 June 2011, certain subsidiaries of the Group incorporated in Mainland China with total retained earnings amounting to RMB 13,741,000, RMB 43,958,000, RMB 127,495,000 and RMB 121,699,000, respectively, will be subject to this withholding tax. The Group did not recognise the respective deferred tax liabilities of RMB 687,000, RMB 2,198,000, RMB 6,375,000 and RMB 6,085,000 as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively, as the Directors of the Company foresees that retained earnings up to 30 June 2011 will not be distributed in the future.

20. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange gains/(losses)	18,285	(44,583)	4,704	232	(4,340)
Others	(116)	(47)	(498)	(278)	(624)
	18,169	(44,630)	4,206	(46)	(4,964)

21. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and allowances	89,085	103,680	151,144	66,831	75,953
Housing subsidies	1,462	2,636	4,950	2,137	3,096
Pension subsidies	6,040	10,379	16,187	7,089	11,042
Share-based payments	—	33,000	31,000	—	—
Welfare and other expenses	2,501	4,934	5,671	1,404	1,693
	99,088	154,629	208,952	77,461	91,784

22. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Losses on disposal of property, plant and equipment	332	172	1,653	11	846
Sales tax and surcharges	839	2,285	9,517	1,832	902
Depreciation	18,271	26,723	31,380	15,350	18,808
Amortisation of intangible assets	248	131	162	96	173
Auditor's remuneration	942	1,307	2,063	1,047	1,277

23. FINANCE COST, NET

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income:					
—Interest income on short-term bank deposits	604	233	339	234	152
—Net foreign exchange gains on financing activities	61	45	—	—	—
Finance income	665	278	339	234	152
Interest expense:					
—Bank borrowings	(2,282)	(3,268)	(4,928)	(1,520)	(3,400)
—Convertible note	(3,435)	(1,832)	—	—	—
Bank charges	(370)	(482)	(761)	(335)	(281)
Total finance costs	(6,087)	(5,582)	(5,689)	(1,855)	(3,681)
Net finance costs	(5,422)	(5,304)	(5,350)	(1,621)	(3,529)

24. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current taxation	63,888	71,653	55,679	19,055	26,831
Deferred taxation	(17,962)	(8,675)	461	(1,079)	(8,168)
Income tax expense	45,926	62,978	56,140	17,976	18,663

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

b. Subsidiaries established in Netherlands and Luxemburg are subject to Netherland and Luxemburg profit tax at a rate of 20% and 30% respectively.

c. Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% in 2009, 2010 and six months ended 30 June 2010 and 2011.

d. The subsidiary established in Singapore is subject to an incentive tax rate at 10%.

e. PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in Mainland China for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. During the Relevant Periods, the applicable EIT rate for the subsidiaries of the Group is 25% except:

   i. 諾斯石油工具(天津)有限公司 (North Resource Oil Tools Ltd.), being incorporated as foreign investment enterprise in Mainland China, has obtained approvals from the relevant tax authority in Mainland China for its entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. The tax rate of 12.5% was applicable for 31 December 2008, 2009, 2010 and six months ended 30 June 2010, while tax rate of 25% was applicable for the six months ended 30 June 2011.

   ii. Pursuant to tax incentive circular issued by the relevant tax authority in Xinjiang Uygur Autonomous Region, the PRC, 新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co., Ltd.) was exempted from EIT from 2008 to 2009.

f. The corporate income tax rate for subsidiaries established in Kazakhstan for the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2010 and 2011 are 30%, 20%, 20%, 20% and 20% respectively. Income tax is charged on all business income generated in Kazakhstan with relief for tax deductible expenses.

g. The corporate income tax rate for subsidiaries established in Canada for the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2010 and 2011 are 38%.

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	141,270	147,781	175,583	56,909	65,023
Tax calculated at respective entities statutory tax rates	40,618	34,023	41,410	13,959	13,809
Preferential tax rates and tax exemption on the income of certain subsidiaries	(12,322)	(7,679)	(406)	(84)	—
Expenses not deductible for taxation purposes	7,621	10,243	12,512	2,373	3,172
Losses not recognised as deferred tax assets	792	1,560	1,595	917	1,682
Withholding tax paid in foreign jurisdiction not deductible against local tax	9,217	24,831	1,029	811	—
Income tax expense	45,926	62,978	56,140	17,976	18,663

25. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	21,649	—	—	—	—

No dividend has been paid or declared by the Company since its incorporation.

Dividends for the year ended 31 December 2008 represented dividends declared by the certain companies to the then equity holders of the companies after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

26. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Director's emoluments

Director's emoluments for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and allowances	293	559	1,489	774	919
Discretionary bonuses	460	460	710	—	—
Other benefits including pension	97	97	105	51	52
	850	1,116	2,304	825	971

No directors has waived or agreed to waive any emoluments.

Director's emoluments are set out below:

	Fees	Basic salaries and allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008					
Executive Directors					
Mr. 王國强 (Mr. Wang Guoqiang)	—	121	230	48	399
Mr. 吳東方 (Mr. Wu Dongfang)	—	121	230	49	400
Mr. 劉若岩 (Mr. Liu Ruoyan)	—	51	—	—	51
	—	293	460	97	850
Year ended 31 December 2009					
Executive Directors					
Mr. 王國强 (Mr. Wang Guoqiang)	—	122	230	48	400
Mr. 吳東方 (Mr. Wu Dongfang)	—	122	230	49	401
Mr. 劉若岩 (Mr. Liu Ruoyan)	—	315	—	—	315
	—	559	460	97	1,116
Year ended 31 December 2010					
Executive Directors					
Mr. 王國强 (Mr. Wang Guoqiang)	—	587	230	52	869
Mr. 吳東方 (Mr. Wu Dongfang)	—	587	230	53	870
Mr. 劉若岩 (Mr. Liu Ruoyan)	—	315	250	—	565
	—	1,489	710	105	2,304
Six months ended 30 June 2011					
Executive Directors					
Mr. 王國强 (Mr. Wang Guoqiang)	—	379	—	26	405
Mr. 吳東方 (Mr. Wu Dongfang)	—	379	—	26	405
Mr. 劉若岩 (Mr. Liu Ruoyan)	—	161	—	—	161
	—	919	—	52	971
Six months ended 30 June 2010 (unaudited)					
Executive Directors					
Mr. 王國强 (Mr. Wang Guoqiang)	—	308	—	25	333
Mr. 吳東方 (Mr. Wu Dongfang)	—	308	—	26	334
Mr. 劉若岩 (Mr. Liu Ruoyan)	—	158	—	—	158
	—	774	—	51	825

(b) Five highest paid individuals

For the year ended 31 December 2008 and the six months ended 30 June 2010, the five individuals whose emoluments were the highest in the Group include two directors. The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2009, 2010 and the six months ended 30 June 2011 did not include any directors.

The emoluments payable to the five highest paid individuals for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and allowances	3,098	3,022	5,008	3,010	4,418
Discretionary bonuses	460	2,122	1,947	—	—
Share-based payment	—	29,700	31,000	—	—
Other benefits including pension	196	197	132	51	—
	3,754	35,041	38,087	3,061	4,418

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
				RMB'000 (unaudited)	RMB'000
Emolument band					
Nil to HK$1,000,000 (equivalent to RMB866,000)	4	—	—	4	3
HK$1,000,001 to HK$1,500,000 (equivalent to RMB 866,000 to RMB1,299,000)	—	—	—	1	1
HK$1,500,001 to HK$2,000,000 (equivalent to RMB 1,299,000 to RMB1,731,000)	—	—	—	—	1
HK$2,000,001 to HK$2,500,000 (equivalent to RMB 1,731,000 to RMB2,164,000)	1	—	—	—	—
HK$4,500,001 to HK$5,000,000 (equivalent to RMB 3,896,000 to RMB4,328,000)	—	—	3	—	—
HK$7,500,001 to HK$8,000,000 (equivalent to RMB 6,493,000 to RMB6,926,000)	—	1	—	—	—
HK$8,000,001 to HK$8,500,000 (equivalent to RMB 6,926,000 to RMB7,358,000)	—	4	—	—	—
HK$11,500,001 to HK$12,000,000 (equivalent to RMB 9,955,000 to RMB10,388,000)	—	—	1	—	—
HK$17,500,001 to HK$18,000,000 (equivalent to RMB 15,150,000 to RMB15,583,000)	—	—	1	—	—
	5	5	5	5	5

During the year ended 31 December 2010, one of the five highest paid individuals received an emolument of RMB 7,922,000 as an inducement upon joining the Group. Other than this, during the Relevant Periods, no director or other member of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

27. EARNINGS PER SHARE

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to equity holders of the Company	95,344	84,803	119,509	38,944	47,241
Weighted average number of ordinary shares in issue (thousands)	84,000	98,667	100,000	100,000	100,000
Basic earnings per share (RMB per share)	1.14	0.86	1.20	0.39	0.47

As the Company had no dilutive instruments for the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2010 and 2011, diluted earnings per share is the same as basic earnings per share.

The earnings per share as presented above is calculated using the weighted average number of ordinary shares in issue for each of the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011. It has not taken into account the proposed capitalisation issue of 900,000,000 shares pursuant to the shareholder resolution passed on 1 December 2011 (Note 14) because the proposed capitalisation issue has not become effective as of the date of this report.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Cash flow from operations

Reconciliation of profit for the year to net cash inflows / (outflows) generated from / (used in) operations:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year before income tax	141,270	147,781	175,583	56,909	65,023
Adjustments for:					
Property, plant and equipment					
—depreciation charge	18,271	26,723	31,380	15,350	18,808
—net loss on disposals	332	172	1,653	11	846
Amortisation of intangible assets (Note 8)	248	131	162	96	173
Provision for impairment of assets	58,536	—	—	—	1,283
Net foreign exchange loss / (gain) (Note 20 and 23)	(18,346)	44,538	(4,704)	(232)	4,340
Interest income (Note 23)	(604)	(233)	(339)	(234)	(152)
Interest expenses on borrowing (Note 23)	5,717	5,100	4,928	1,520	3,400
Share-based payment (Note 15)	—	33,000	31,000	—	—
Changes in working capital:					
Inventories	(103,838)	(26,931)	(17,202)	8,139	(54,621)
Trade and notes receivable	(113,273)	(46,226)	(184,735)	4,848	104,185
Prepayments and other receivables	(9,060)	(192)	(70,935)	(20,517)	8,643
Trade payables	29,903	2,784	162,228	9,455	(68,740)
Accruals and other payables	26,202	(32,385)	10,509	(2,448)	(26,628)
Restricted bank deposits	(344)	(10,533)	1,761	4,538	8,248
Net cash inflows from operations	35,014	143,729	141,289	77,435	64,808

(b) Net cash outflow arising from deemed distribution to the equity owners

Pursuant to the reorganisation mentioned in Note 2, the assets and liabilities of these Excluded Entities totalling approximately RMB 197,128,000 are reflected and accounted for as a deemed distribution to the equity owners at 31 December 2010. The Excluded Entities' assets and liabilities are set out below:

	RMB'000
Trade and notes receivables	79,886
Prepayments and other receivables	217,769
Cash and cash equivalents	15,248
Trade payables	(187)
Accruals and other payables	(52,008)
Income tax liabilities	(63,580)
	197,128
Net cash outflow arising from deemed distribution to the equity owners	15,248

29. CONTINGENCIES

As at 31 December 2008, 2009, 2010 and 30 June 2011, the Group did not have any significant contingent liabilities.

30. COMMITMENT

(a) Capital commitments

Capital commitments related to investments in property, plant and equipment at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	282	354	4,636	1,700

(b) Operating lease commitments—where the Group is the leasee:

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	1,884	9,542	11,126	18,631
Later than 1 year and no later than 5 years	2,670	23,026	24,754	19,918
Later than 5 years	749	639	—	—
	5,303	33,207	35,880	38,549

31. RELATED PARTY TRANSACTIONS

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

(1) The following companies and persons are related parties of the Group and have transactions with the Group during the Relevant Periods:

(i) Controlling shareholders

Mr. 王國强 (Mr. Wang Guoqiang) and
Mr. 吳東方 (Mr. Wu Dongfang)

(ii) Other shareholders

Ms. 沈翼 (Ms. Shen Yi) and
Mr. 趙峰 (Mr. Zhao Feng)

(iii) Company controlled by certain shareholders

北京宏輝安達科技有限公司 (Beijing Honghuianda Technology Ltd.)*
Sinopetroleum International Limited **

* 北京宏輝安達科技有限公司 (Beijing Honghuianda Technology Ltd.) is a company controlled by Mr. 吳東方 (Mr. Wu Dongfang), one of the Group's controlling shareholders.

** Sinopetroleum International Limited is one of the aforementioned Excluded Entities (Note 2(a)) which was excluded from the consolidated financial statements of the Group on 31 December 2010 pursuant to the reorganisation and therefore identified as the related party company of the Group upon the reorganisation was completed.

(2) Transactions with related parties

Same as disclosed elsewhere in this report, during the Relevant Periods, the following transactions were carried out with related parties:

(a) Advances made to the related parties

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. 王國强 (Mr. Wang Guoqiang)	19,036	1,014	5,798	3,730	—
Mr. 吳東方 (Mr. Wu Dongfang)	5,297	736	7,859	3,451	—
Ms. 沈翼 (Ms. Shen Yi)	79	7	4,028	—	—
Mr. 趙峰 (Mr. Zhao Feng)	—	195	—	—	—
北京宏輝安達科技有限公司 (Beijing Honghuianda Technology Ltd.)	1,656	10,120	4	4	—
	26,068	12,072	17,689	7,185	—

(b) Advances/Loans obtained from the related parties

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. 王國强 (Mr. Wang Guoqiang)	11,096	416	4,370	1	37,087
Mr. 吳東方 (Mr. Wu Dongfang)	7,983	8,222	3,637	—	30,913
Mr. 趙峰 (Mr. Zhao Feng)	—	—	3	—	—
Sinopetroleum International Limited	—	—	—	—	66,017
	19,079	8,638	8,010	1	134,017

(c) Personal guarantee provided for the Group's bank borrowings

As at 31 December 2010 and 30 June 2011, Mr. 王國强 (Mr. Wang Guoqiang) and Mr. 吳東方 (Mr. Wu Dongfang), the Controlling Shareholders of the Company, provided joint personal guarantee for the Group's short-term borrowings amounting to RMB 79,975,000 and RMB 13,199,000, respectively (Note 16).

(d) Indemnity provided by Controlling Shareholders

The Controlling shareholders have provided indemnity in favour of the Company for any claims against the Company for any losses, liabilities and cost arising from claims by the relevant tax authorities.

(3) Balances with related parties

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Sinopetroleum International Limited	—	—	72,245	6,076
Amounts due from related parties				
Mr. 王國强 (Mr. Wang Guoqiang)	5,753	6,269	10,180	1,259
Mr. 吳東方 (Mr. Wu Dongfang)	4,767	5,071	8,148	21
Ms. 沈翼 (Ms. Shen Yi)	71	79	4	4
Mr. 趙峰 (Mr. Zhao Feng)	2	198	3	3
北京宏輝安達科技有限公司 (Beijing Honghuianda Technology Ltd.)	700	5,800	4,004	—
	11,293	17,417	22,339	1,287
Amounts due to related parties				
Mr. 王國强 (Mr. Wang Guoqiang)	9,764	9,441	453	447
Mr. 吳東方 (Mr. Wu Dongfang)	6,201	6,916	430	430
Ms. 沈翼 (Ms. Shen Yi)	—	49	—	—
Sinopetroleum International Limited	—	—	—	983
	15,965	16,406	883	1,860
Loan from related parties				
Mr. 王國强 (Mr. Wang Guoqiang)	—	—	—	37,087
Mr. 吳東方 (Mr. Wu Dongfang)	—	—	—	30,913
Sinopetroleum International Limited	—	—	—	66,017
	—	—	—	134,017
Dividends payable				
Mr. 王國强 (Mr. Wang Guoqiang)	5,802	5,802	—	—
Mr. 吳東方 (Mr. Wu Dongfang)	9,958	9,958	—	—
Ms. 沈翼 (Ms. Shen Yi)	1,733	1,733	—	—
	17,493	17,493	—	—

Balances with related parties were all unsecured, non-interest bearing and had no fixed repayment terms. These balances will be fully settled prior to the listing of the Company's shares.

(4) Key management compensation

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and allowances	3,391	5,055	8,299	3,607	6,198
Discretionary bonuses	920	2,834	3,000	—	230
Share-based payment	—	16,500	20,102	—	—
Other benefits including pension	207	240	251	121	106
	4,518	24,629	31,652	3,728	6,534

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2011 and up to the date of this report. No dividend or other distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2011.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong