SPT Energy Group Inc.
華油能源集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1251

* for identification only

2014
Interim Report

CONTENTS

Corporate Information

THE BOARD

Executive Directors

Mr. Wang Guoqiang
(Chairman and Chief Executive Officer)
Mr. Wu Dongfang
Mr. Liu Ruoyan
Mr. Jin Shumao

Non-Executive Directors

Mr. Lin Yang
Ms. Chen Chunhua

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Wang Guoqiang
Ms. Mok Ming Wai

COMPANY SECRETARY

Ms. Mok Ming Wai *(FCIS, FCS)*

COMPANY WEBSITE

www.spt.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

Building 3
Chaolai High-tech Industrial Park
A1 Laiguangying Middle Street
Chaoyang District
Beijing
PRC (zip code: 100012)

Corporate Information

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISOR

Morrison & Foerster

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

Porda Havas

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

1251

DATE OF LISTING

23 December 2011

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2014 (the "Period" or "Reporting Period"), the Group recognised revenue of RMB1,056.9 million, representing an increase of 21.5% as compared with that of the comparative period of 2013; EBITDA (before unallocated expenses) was RMB280.8 million, representing an increase of 15.6% as compared with that of the comparative period of 2013.

During the Reporting Period, despite that the Group achieved higher growth in EBITDA as compared with the comparative period of last year, profit after tax decreased by 18.7% to RMB80.3 million as compared with that of the comparative period of last year due to a number of specific operating factors including:

1) The share-based payment expense increased by RMB17.7 million as compared with that of last year;

2) As a result of the devaluation of Kazakhstan Tenge ("KZT") against the US dollars by approximately 20.4%, the Group's subsidiaries in Kazakhstan recognised a loss on currency devaluation of RMB17.9 million in aggregate during the Period.

These two specific operating factors above, to a large extent, have negatively affected the profitability of the Group for the first half of the year. Excluding the impact of such factors, the principal businesses of the Group continued to maintain relatively fast and sound growth.

Given the macro environment of the industry, the PRC oilfield services industry faced many challenges and intensified competition during the first half of 2014. Some of the oilfield markets in China witnessed a decrease in investment and delay in projects. At the same time, as customers attached greater importance to efficiency rather than expansion, more stringent cost control measures were adopted.

During the Reporting Period, having leveraged on its brand name and widely recognised integrated capabilities, the Group has still made some headway. The projects in various regions were well underway with steady increase in the scale of operations. With respect to the PRC business, the Group recognised revenue of RMB477.7 million, accounting for 45.2% of the Group's total revenue and representing an increase of 42.3% as compared with that of the comparative period of 2013. As to the overseas business, the Group recognised revenue of RMB579.2 million, accounting for 54.8% of the Group's total revenue and representing an increase of 8.4% as compared with that of the comparative period of 2013.

Management Discussion and Analysis

REVENUE ANALYSIS

For the six months ended 30 June 2014, the analysis of the Group's revenue by business segment is as follows:

	For the six months ended 30 June		
	2014	2013	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Unaudited	
Drilling	**403,442**	340,987	18.3%
Well completion	**343,916**	269,267	27.7%
Reservoir	**309,501**	259,945	19.1%
Total	**1,056, 859**	870,199	21.5%

During the Reporting Period, the three principal business segments of the Group, drilling, well completion and reservoir, maintained steady growth as compared with the previous year. Among others,

RESERVOIR SERVICES SEGMENT

	For the six months ended 30 June		
Revenue	**2014**	2013	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Unaudited	
PRC	**113,172**	58,667	92.9%
Overseas	**196,329**	201,278	-2.5%
Total	**309,501**	259,945	19.1%

During the Period, the Group continued to focus on geological data analysis and oilfield researches to provide systematic optimisation solutions for customers. The oilfield services segment recognised revenue of RMB309.5 million, representing an increase of 19.1% as compared with that of the comparative period of 2013. As a result of currency depreciation in Kazakhstan, our reservoir services business in the overseas market recognised revenue of RMB196.3 million, representing a decrease of 2.5% as compared with that of the comparative period of 2013; whereas our reservoir services business in the PRC market recognised revenue of RMB113.2 million, representing an increase of 92.9% as compared with that of the comparative period of 2013 due to the opening up of new markets and expansion of existing market.

Management Discussion and Analysis

During the Period, faced with the impacts of Kazakhstan currency depreciation, the Group has increased its business growth opportunity by actively utilized the existing businesses to cope with various problems faced by customers in the course of oil and gas exploration and development. Our efforts were proved to be effective. The construction of the Group's service base at Oasis Oilfield in Iraq was successfully completed and our reservoir services business commenced smoothly. And this development has represented the new contract for providing of oilfield dynamic monitoring services, which filled the gap of such services in Iraq. During the Period, the total revenue of our reservoir services segment in Iraq amounted to RMB23 million, which further improves the geographical structure of the Group's reservoir operation. The contract for gas sealing operation in Turkmenistan was also smoothly executed where a team of local operators was established and this has marked the successful application of the Group's gas sealing and testing capability overseas. Meanwhile, the Group purchased two sets of new oil casing gas sealing and testing equipment. It is expected that the Group will have five sets of such equipment by the end of this year.

To tackle the problems of the low downhole pressure at the mid- to late-stage of gas well development and the difficulties encountered in production enhancement, the Group innovated the drilling technique of gas lift by moving air compressor after carrying out a number of scientific researches, and purchased four sets of compressor gas lift production devices in China to cater for the customers' specific needs to boost productivity. At the same time, the commencement of such business also facilitated the well completion and well workover related businesses, which fully demonstrated the Group's capacity of providing one-stop services.

WELL COMPLETION SERVICES SEGMENT

	For the six months ended 30 June		
Revenue	**2014**	2013	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Unaudited	
PRC	**113,217**	76,585	47.8%
Overseas	**230,699**	192,682	19.7%
Total	**343,916**	269,267	27.7%

For the six months ended 30 June 2014, the well completion services segment recognised revenue of RMB343.9 million, representing an increase of 27.7% as compared with that of the comparative period of 2013. In particular, our well completion business in the overseas market recognised revenue of RMB230.7 million, representing an increase of 19.7% as compared with that of the comparative period of 2013; whereas our well completion business in the PRC market recognised revenue of RMB113.2 million, representing an increase of 47.8% as compared with that of the comparative period of 2013.

During the Reporting Period, the Group continued to meticulously develop the market of high-end gas well completion services home and abroad and successfully delivered 38 sets of well completion tools for gas wells in Dragon King Temple, Anyue to PetroChina Southwest Oilfield Company and 35 sets of well completion tools for gas wells to PetroChina (Turkmenistan) Amu Darya Natural Gas Company. This performance strengthened its leading position in the niche market and secured the steady business in this market.

Management Discussion and Analysis

In April 2014, the Group entered into a joint venture agreement with Halliburton B.V., pursuant to which, both parties agreed to establish a joint venture to provide stimulation operation in Xinjiang Uygur Autonomous Region of China. The new joint venture has a total investment of US$100 million and the Group will hold 51% stake. The new joint venture will introduce the advanced fracturing equipment and fracturing technique from North America and engage in stimulation services for high-end oil and gas wells in China. The establishment of the joint venture will upgrade the relationship between the Group and Halliburton B.V. and enhance the Group's fracturing stimulation operation capabilities. As at the date of this report, the joint venture has completed the registration procedures required by the bureau for industry and commerce and is expected to commence business in the second half of the year.

Meanwhile, the fracturing fleet newly invested by the Group during the Period was successfully delivered to Kazakhstan and commenced operation. A total of six wells completed deep well drilling and fracturing. The Group achieved unprecedented success in the automated operation of fracturing equipment overseas and was well received by customers.

DRILLING SERVICES SEGMENT

	For the six months ended 30 June		
Revenue	**2014** *RMB'000* **Unaudited**	2013 *RMB'000* Unaudited	Growth Rate
PRC	**251,276**	200,427	25.4%
Overseas	**152,166**	140,560	8.3%
Total	**403,442**	340,987	18.3%

For the six months ended 30 June 2014, the drilling services segment recognised revenue of RMB403.4 million, representing an increase of 18.3% as compared with that of the comparative period of 2013. In particular, our drilling services business in the overseas market recognised revenue of RMB152.2 million, representing an increase of 8.3% as compared with that of the comparative period of 2013; whereas our drilling services business in the PRC market recognised revenue of RMB251.3 million, representing an increase of 25.4% as compared with that of the comparative period of 2013.

During the first half of the year, the two newly acquired 5,000 meters ("m") drilling rigs in Changqing Oilfield were operating at full steam and achieved remarkable results. Altogether. The drilling of six wells commenced, including one horizontal well and four vertical wells. To meet the market's demand, the Group purchased one new 5,000m drilling rig, one new 4,000m workover rig and two new 3,000m workover rigs. The two 3,000m workover rigs were delivered to Kazakhstan and were ready for operation. And the Group successfully commenced the mud drilling services operation. There were a total of 33 wells (including wells using oil-based and water-based drilling fluids) that commenced operation in the PRC market. Meanwhile, the Group set up a directional well division to better coordinate all related operation internally. Two sets of directional well equipment are developed and manufactured internally by the Group's research and development ("R&D") manufacturing centre in Canada. The newly established directional well division will focus on the mid- to high-end directional well services market and effectively enhances the service capabilities of the Group in the directional well technology services market.

Management Discussion and Analysis

Market Environment

During the Reporting Period, the entire oil field service industry is not as strong as it has been. However, the Group believes that the industry should remain promising in the long run. The following development will offer the real opportunities to those service companies with truly integrated capabilities.

First of all, our oil majors have started to modify its business model to emphasize more on the efficiency of their work rather than on the scale of their operation. Put it another way, those technologically sophisticated, operationally integrated and performance-proven service providers, such as SPT, will be in high demand while a lot of mediocre companies will be marginalized.

Secondly, China oil field service market will be more open, a more transparent and more open tendering procedure will be introduced. The awarding of the contract will be more based upon the comprehensive abilities of the bidder rather than upon the bidder's personal relationship with the client. The practice will further strengthen the market positioning of those good service companies, like SPT.

Thirdly, shale gas looms large on China's energy landscape. After a few years' hard preparation work, China is now almost ready to invest serious money on shale energy. Both Sinopec and China National Petroleum Corporation (the "CNPC") have been working diligently on shale gas in the past few years. Finally Sinopec published its shale gas progress in its Fuling Shale Gas Field in Sichuan last November. The data is very encouraging and it has moved Sinopec's shale operation from appraisal to commercial production phase. Sinopec has announced its production target of 5 bcm by 2015. Followed Sinopec, CNPC also has released its shale production target of 2.6 bcm by 2015. Meanwhile, both companies have decided to drill more than one hundred shale gas wells in 2014/15. Still a number of state-owned shale gas investment companies have completed their shale preparation in the past two years and about to hire service companies to help them with their shale work. All of these will provide the good service companies, like SPT, the chance to enter the shale gas market.

R&D and Manufacture

During the Reporting Period, the Group has made substantial progress on its R&D and manufacture. A number of in-house developed tools and equipment have been put into operation. A/ Oil swellable packer has already entered the stage of mass production and been used in some oil and gas fields. B/ The directional drilling equipment, devised and manufactured in our Canadian subsidiary also has been put into real operation. C/ Another in-house developed production enhancement equipment, "Full Bore Fracturing Valve" has been successfully installed in wells in Tarim Oilfield to solve the problem of impossible logging at a later stage after horizontal well multistage fracturing and received the contemplated results. The above-mentioned self-developed equipment has proven their quality and reliability and satisfied our clients' needs.

The Group will continuously attach the importance to R&D and manufacture and produce more in-house developed equipment to replace third party's products to lower our costs.

Management Discussion and Analysis

Human Resources

During the Reporting Period, the Group's human resources department has made progresses in the areas of personnel recruitment and training.

First, to meet the changing market environment, we have fine tuned our recruitment strategy to have our policy inclined to those with the expertise of shale, experience of managing integrated project and to further implement localization policy regarding our recruitment in our overseas operation. By the end of June, 2014, the Group has 3,999 employees.

Secondly, the Group has organized an approximate of 50 expertized technology trainings of various kinds, including 15 Introduction Workshop in Shale Gas, 10 Directional Drilling Training Sessions, 12 On-Site Training Tours. And total of 2,000 employees have received the required training.

Compliance Management

The Group believes that compliance management is an extremely important part of the Group's entire operation and its Internal Control Department is responsible for the work, which includes but not limited a/ to safeguard all pertaining laws and regulations of constitutional nature, such as Listing Rules, Companies Ordinance be respected; b/ to ensure all laws, regulations, local customs and tradition and generally accepted international practice be honored since the Group has the operation in six different jurisdictions; c/ to supervise all COSO-based internal control mechanism be implemented; d/ to educate everyone on the different levels to arouse their awareness of risk management and internal control.

In order to fulfill these missions, during the Reporting Period, the Group's Internal Control Department has completed the following work: 1/ upgraded the Group's Internal Control System; 2/ improved the Group's Anti-Corporate Espionage System; 3/ updated the Group's Legal Data Base which has compiled laws and regulations in the countries the Group has its operation; 4/ managed the Group's Whistle Blow and Anti-Corruption Mechanisms on a regular basis on a regular basis; 5/ sponsored seminars and workshops to educate employees help them understand the importance of the risk management and internal control.

Subsequent Work Plan

Despite the complicated market environment and the increasingly intensified competition, the Group is never more optimistic about the rosy future of the entire industry in the long run and never more confident in its own competitiveness. To beat the competition, the Group is prepared to adhere to its strategies as follow:

First, the Group believes in the technological innovation and will continuously strengthen our internal R&D capability and maximize our efforts to learn from international service giants, especially Halliburton, our strategic partner.

Management Discussion and Analysis

Secondly, the Group believes in building up its integrated services ability because this ability represents the future of China's oil field industry. The Group will prioritize its resources to develop its integrated capability.

Thirdly, stick to the "go international" strategy, the Group believes in international expansion because "Go international" has become the extremely important part of our national energy security policy. At the moment, CNPC, our largest oil & gas producer, has roughly 30% oil & gas output from its overseas property and the number will go beyond 60% by 2020, quoted from the Chairman of CNPC in his remark in PetroChina shareholders' meeting in April of last year. The Group will remain unwavering towards its strategy of international expansion.

Fourthly, to be well positioned for the upcoming of the scale development of shale gas, the Group believes that shale gas is almost ready to play some role in China's energy arena even though a nation-wide shale campaign will be still some time down the road. The Group will actively prepare itself in terms of technological training, personnel recruitment, market deployment and cautious equipment procurement. And the Group believes that it will have some shale revenue soon.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2014, revenue of the Group was RMB1,056.9 million, representing an increase of RMB186.7 million, or 21.5%, as compared with that of RMB870.2 million for the comparative period of last year. The increase was mainly due to the business growth, especially substantial expansion in well completion segment.

Other (losses), net

For the six months ended 30 June 2014, other (losses), net of the Group was RMB16.5 million, while the other (losses), net for the comparative period of last year was RMB0.08 million. The net losses for the Reporting Period were primarily due to the appreciation of USD-denominated liabilities (except for bank borrowings) in the Kazakhstan incorporated entities of the Group amounting to RMB14.8 million.

Material costs

For the six months ended 30 June 2014, material costs of the Group was RMB306.8 million, representing an increase of RMB124.4 million, or 68.2%, as compared with that of RMB182.4 million for the comparative period of last year. The increase of material costs was mainly driven by the growth of the Group's business, and certain well completion tools contracts for which material costs constituted most of the costs.

Employee benefit expenses

For the six months ended 30 June 2014, employee benefit expenses of the Group was RMB304.9 million, representing an increase of RMB68.4 million, or 28.9%, as compared with that of RMB236.5 million for the comparative period of last year. This was mainly due to the increase in employee numbers in line with the business growth and the increase of share option costs of RMB17.7 million as compared with the comparative period of last year.

Operating lease expenses

For the six months ended 30 June 2014, operating lease expenses of the Group was RMB42.5 million, representing an increase of RMB11.5 million, or 37.1%, as compared with that of RMB31.0 million for the comparative period of last year. This was mainly due to the growth of the Group's business.

Transportation costs

For the six months ended 30 June 2014, transportation costs of the Group was RMB29.1 million, representing an increase of RMB5.0 million, or 20.7%, as compared with that of RMB24.1 million for the for the comparative period of last year. The increase was mainly due to the growth of the Group's business.

Depreciation and amortisation

For the six months ended 30 June 2014, depreciation and amortisation of the Group was RMB41.7 million, representing an increase of RMB7.1 million, or 20.5%, as compared with that of RMB34.6 million for the comparative period of last year. The increase was mainly due to the procurement of more operating equipment to meet the business expansion.

Technical service expenses

For the six months ended 30 June 2014, technical service expenses of the Group were RMB88.8 million, representing a decrease of RMB40.2 million, or 31.2%, as compared with that of RMB129.0 million for the comparative period of last year. The decrease was partially because there were less such kind of operations which require the Group to outsource heavy equipment and operators during this period. Another factor was that the Group has purchased some heavy equipment and recruited operators for such kind of operations.

Impairment loss of assets

For the six months ended 30 June 2014, impairment loss of assets was RMB4.8 million. The impairment loss of assets was in relation to the increase of bad-debt provision of receivables which the Group estimated uncollectable.

Management Discussion and Analysis

Others

For the six months ended 30 June 2014, other operating costs of the Group were RMB94.8 million, representing an increase of RMB4.5 million, or 5.0%, as compared with that of RMB90.3 million for the comparative period of last year. This was mainly due to the increase of administrative expenses driven by the business expansion.

Operating profit

As a result of the aforementioned changes, operating profit of the Group changed from RMB134.1 million for the comparative period of last year to RMB127.0 million for the six months ended 30 June 2014, representing a decrease of RMB7.1 million, or 5.3%.

Finance costs, net

For the six months ended 30 June 2014, the Group's finance costs, net was RMB21.9 million, representing an increase of RMB11.9 million, or 119.0%, as compared with that of RMB10.0 million for the comparative period of last year. This was mainly due to the interest increase of bank borrowings and the foreign currency exchange loss in relation to Kazakhstan subsidiaries' bank borrowings amounting to RMB7.6 million.

Financial impact due to Kazakhstan's Tenge devaluation

The net foreign currency exchange losses due to Kazakhstan's Tenge devaluation was RMB17.9 million as follow:

Losses recognized in Other (losses) net	RMB14.8 million
Add: losses recognized in Financial costs net	RMB7.6 million
Deduct: income tax impact	RMB(4.5) million
Net impact:	RMB17.9 million

Income tax expense

For the six months ended 30 June 2014, income tax expense was RMB24.8 million, representing a decrease of RMB0.6 million, as compared with that of RMB25.4 million for the comparative period of last year. The effective income tax rate (income tax expense/profit before income tax) for the six months ended 30 June 2014 was 23.6% while the effective income tax rate for the comparative period of last year was 20.4%. This was mainly because certain subsidiary provided services in foreign jurisdiction which led to non-resident withholding tax during the Reporting Period. Such withholding tax was not deductible against local tax.

Profit for the period

As a result of the aforementioned changes, the Group's profit for the six months ended 30 June 2014 changed from RMB98.8 million for the comparative period of last year to RMB80.3 million for the six months ended 30 June 2014, representing a decrease of RMB18.5 million, or 18.7%.

Management Discussion and Analysis

Profit attributable to equity owners of the Company

For the six months ended 30 June 2014, profit attributable to equity owners of the Company was RMB81.4 million, representing a decrease of RMB16.2 million from that of RMB97.6 million for the comparative period of last year.

Property, plant and equipment

As at 30 June 2014, property, plant and equipment was RMB398.9 million, representing an increase of RMB26.2 million, or 7.0%, from RMB372.7 million as at 31 December 2013. This was mainly due to the purchases of equipment to meet the business expansion.

Inventories

As at 30 June 2014, inventories were RMB549.0 million, representing an increase of RMB64.1 million, or 13.2%, from RMB484.9 million as at 31 December 2013. The increase was mainly because the Group purchased more inventories to meet the business expansion.

Trade receivables and trade payables

As at 30 June 2014, trade receivables was RMB1,362.7 million, representing an increase of RMB106.9 million, or 8.5%, from RMB1,255.8 million as at 31 December 2013. The increase was due to the increase of revenue.

As at 30 June 2014, trade payables was RMB632.5 million, representing a decrease of RMB51.2 million, or 7.5%, from RMB683.7 million as at 31 December 2013. The decrease was mainly because there were more purchases with shorter payment terms during the Reporting Period.

Liquidity and capital resources

As at 30 June 2014, the Group's cash and bank deposits, comprising cash and cash equivalents and restricted bank deposits, were RMB526.8 million, representing a decrease of RMB134.0 million, or 20.3%, from RMB660.8 million as at 31 December 2013. The decrease was mainly due to the net cash outflow from operating activities during the Reporting Period.

As at 30 June 2014, the Group's short-term borrowings and current portion of long-term borrowings were RMB311.6 million. The long-term borrowings were RMB89.5 million. As at 31 December 2013, the Group's short-term borrowings and current portion of long-term borrowings were RMB190.0 million. The long-term borrowings were RMB84.8 million.

As at 30 June 2014, the Group's gearing ratio was 22.3%, representing an increase of 48.7% as compared with 15.0% as at 31 December 2013. Gearing ratio was calculated as total borrowings divided by total equity. Total borrowings include long-term borrowings, short-term borrowings and current portion of long-term borrowings.

Management Discussion and Analysis

Cash flows from operating activities

For the six months ended 30 June 2014, the Group's net cash used in operating activities was RMB111.5 million, while the net cash generated from operating activities was RMB111.8 million for the comparative period of last year. The change was mainly because the Group did not succeed in maintaining the trade receivables turnover rate and trade payables turnover rate.

Cash flows from investing activities and financing activities

For the six months ended 30 June 2014, the Group's net cash used in investing activities was RMB111.8 million, mainly due to the purchases of property, plant and equipment amounting to RMB113.2 million, partially offset by the disposal of available-for-sale financial assets amounting to RMB1.7 million.

For the six months ended 30 June 2014, the Group's net cash generated from financing activities was RMB116.5 million, mainly resulting from the net increase of borrowings of RMB113.1 million and proceeds from exercise of share options amounting to RMB3.4 million.

Capital Structure

The capital of the Company comprises only ordinary shares. As at 30 June 2014, the total number of ordinary shares of the Company in issue was 1,533,719,999 shares (31 December 2013: 1,530,391,333 shares). As at 30 June 2014, equity attributable to the equity owners of the Group was RMB1,754.3 million, representing a decrease of RMB29.8 million, or 1.7%, as compared with RMB1,784.1 million as at 31 December 2013.

Significant investment held

As at 30 June 2014, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the six months ended 30 June 2014, the Group has no material acquisition or disposal of subsidiaries and associates.

Management Discussion and Analysis

Assets pledged

As at 30 June 2014, the Group pledged parts of its property, plant and equipment, long-term prepayments, trade receivables and land use right to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2014 *RMB'000* **Unaudited**	As at 31 December 2013 *RMB'000* Audited
Property, plant and equipment	**2,114**	2,643
Long-term prepayments	**16,564**	16,712
Trade receivables	**60,301**	22,000
Land use right	**22,965**	–

Contingent liabilities

As at 30 June 2014, the Group has no material contingent liabilities.

Off balance sheet arrangement

As at 30 June 2014, the Group has no off balance sheet arrangements.

Contractual obligations

The Group's contractual commitment mainly included capital expenditure commitments and repayments under operating lease commitments. As at 30 June 2014, capital expenditure commitments were mainly acquisition of property, plant and equipment with the amount of RMB43.8 million, while operating lease commitments were mainly lease of offices, warehouses and equipment with the amount of RMB377.1 million.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2014, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the following provision.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the board (the "Board") of directors (the "Director(s)") and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Board currently comprises four executive Directors (including Mr. Wang Guoqiang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry with all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the accounting policies and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2014 of the Group with the management and the auditors of the Company.

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

Save as the issuance of shares by the Company pursuant to the Share Option Scheme disclosed herein, during the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Other Information

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE SUBSEQUENT TO THE 2013 ANNUAL REPORT

Mr. Lin Yang, a non-executive Director resigned as the Investment Director of China Everbright Investment Management Limited on 1 May 2014 and was appointed as the Investment Director of Forebright Capital Management Limited on the same date.

Save as disclosed above, up to the date of this report, there is no change to information which is required to be disclosed and has been disclosed by Directors or chief executive pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

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

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Wang Guoqiang	Beneficiary of trusts (note 1)	645,484,000 (L)	42.09%
	Beneficial owner (note 3)	1,090,000 (L)	0.07%
Mr. Wu Dongfang	Beneficiary of trusts (note 2)	645,484,000 (L)	42.09%
	Beneficial owner (note 3)	1,090,000 (L)	0.07%
Ms. Chen Chunhua (note 3)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Liu Ruoyan (note 3)	Beneficial owner	2,390,000 (L)	0.16%
Mr. Wan Kah Ming (notes 3 & 4)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Wu Kwok Keung Andrew (note 3)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Jin Shumao (note 3)	Beneficial owner	1,090,000 (L)	0.07%
Ms. Zhang Yujuan (note 3)	Beneficial owner	1,000,000 (L)	0.07%

Other Information

Notes:

1. Mr. Wang Guoqiang and his family members are the beneficiaries of Truepath Trust, a discretionary trust established by Mr. Wang Guoqiang, and therefore he is deemed to be interested in 487,512,000 shares of the Company held by Red Velvet Holdings Limited via Truepath Limited. Mr. Wang Guoqiang is also deemed to be interested in the shares held by Mr. Wu Dongfang as they are parties acting in concert.
2. (i) Mr. Wu Dongfang and his family members are the beneficiaries of Widescope Trust, a discretionary trust established by Mr. Wu Dongfang, and therefore he is deemed to be interested in 136,372,000 shares of the Company held by Elegant Eagle Investments Limited via Widescope Holdings Limited. (ii) Mr. Wu and six members of the Company's senior management are the beneficiaries of True Harmony Trust, a discretionary trust established by Mr. Wu Dongfang, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited. (iii) Mr. Wu Dongfang is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.
3. Mr. Wang Guoqiang, Mr. Wu Dongfang, Ms. Chen Chunhua, Mr. Liu Ruoyan, Mr. Wan Kah Ming, Mr. Wu Kwok Keung Andrew, Mr. Jin Shumao and Ms. Zhang Yujuan hold share options in respect of these shares. Details of the share options are set out below in the section headed "Share Option Scheme".
4. 633,333 shares are jointly held by Mr. Wan Kah Ming and his family member.
5. "L" denotes long position.

Save as disclosed above, as at 30 June 2014, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no time during the six months ended 30 June 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES

As at 30 June 2014, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Widescope Holdings Limited	Beneficial owner	136,372,000	8.89%
Elegant Eagle Investments Limited (note 1)	Interest of controlled corporation	157,972,000	10.30%
True Harmony Limited	Beneficial owner	21,600,000	1.41%
Best Harvest Far East Limited (note 2)	Interest of controlled corporation	21,600,000	1.41%
Truepath Limited	Beneficial owner	487,512,000	31.79%
Red Velvet Holdings Limited (note 3)	Interest of controlled corporation	487,512,000	31.79%
Credit Suisse Trust Limited (note 4)	Trustee	763,182,442	49.76%
Greenwoods Asset Management Limited (note 5)	Interest of controlled corporation	79,538,000	5.19%
Greenwoods Assets Management Holdings Limited (note 5)	Interest of controlled corporation	79,538,000	5.19%
Jiang Jinzhi (note 5)	Interest of controlled corporation	79,538,000	5.19%
Unique ElementCorp. (note 5)	Interest of controlled corporation	79,538,000	5.19%
China Everbright Holdings Company Limited (note 6)	Interest of controlled corporation	91,568,272	5.97%
China Everbright Limited (note 6)	Interest of controlled corporation	91,568,272	5.97%
China Special Opportunities Fund III, L.P. (note 6)	Interest of controlled corporation	91,568,272	5.97%
CSOF III GP Limited (note 6)	Interest of controlled corporation	91,568,272	5.97%
Forebright Partners Limited (note 6)	Interest of controlled corporation	91,568,272	5.97%

Other Information

Notes:

1. Widescope Holdings Limited and Best Harvest Far East Limited are wholly owned by Elegant Eagle Investments Limited and therefore Elegant Eagle Investments Limited is deemed to be interested in 136,372,000 and 21,600,000 shares of the Company held by these two companies respectively.
2. True Harmony Limited is 73.3% owned by Best Harvest Far East Limited and therefore Best Harvest Far East Limited is deemed to be interested in 21,600,000 shares of the Company.
3. Truepath Limited is wholly owned by Red Velvet Holdings Limited and therefore Red Velvet Holdings Limited is deemed to be interested in 487,512,000 share of the Company.
4. Credit Suisse Trust Limited is the trustee of the Widescope Trust, the Truepath Trust, the Jumbo Wind Trust and the Windsorland Trust which are discretionary trusts holding the shares in the Company on trust for True Harmony Limited, Elegant Eagle Investments Limited, Red Velvet Holdings Limited, Starshine Investments Limited and Tarkin Investments Limited, respectively. Therefore, Credit Suisse Trust Limited is deemed to be interested in shares of the Company held by True Harmony Limited, Widescope Holdings Limited, Truepath Limited, Jumbo Wind Limited and Windsorland Limited.
5. Such 79,538,000 shares represent the same block of shares.
6. The shares held by China Everbright Holdings Company Limited, China Everbright Limited, China Special Opportunities Fund III, L.P., CSOF III GP Limited and Forebright Partners Limited refer to the same parcel of shares of the Company. These shares include 73,125,000 (based on the adjusted conversion price as at 5 June 2014) underlying shares of the Company which may be issued by the Company upon conversion of the convertible bonds in the principal amount of USD15,000,000 issued by the Company to Everbright Inno Investments Limited (a corporation controlled by China Everbright Limited and China Everbright Holdings Company Limited) and CSOF Inno Investments Limited (a corporation controlled by China Special Opportunities Fund III, L.P., CSOF III GP Limited and Forebright Partners Limited).

Save as disclosed above, and as at 30 June 2014, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 1 December 2011.

1. Purpose

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

2. Participants

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the shares of the Company to, inter alia, any Directors or any employees (full-time and part-time) of the Company or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Other Information

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of Listing (i.e. a total of 133,500,000 shares).

4. Maximum entitlement of each participant

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

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

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

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

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

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

An offer for the grant of options must be accepted within 8 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

8. Basis of determining the subscription price

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

9. Life of the Share Option Scheme

The Share Option Scheme became unconditional on the date of Listing and shall be valid and effective for a period of ten years commencing on 1 December 2011, subject to the early termination provisions contained in the Share Option Scheme.

Other Information

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue on the date of Listing. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2014 are as follows:

	Number of share options								
Grantee	**Outstanding as at 1 January 2014**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**Outstanding as at 30 June 2014**	**Date of grant**	**Date of expiry**	**Exercise price per share**
Directors									
Mr. Wang Guoqiang	–	1,090,000 (note 3)	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Wu Dongfang	–	1,090,000 (note 3)	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Liu Ruoyan	1,300,000 (note 1)	–	–	–	–	1,300,000	29/03/2012	28/03/2022	HK$1.360
	–	1,090,000 (note 3)	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Jin Shumao	–	1,090,000 (note 3)	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Ms. Chen Chunhua	1,000,000 (note 1)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	–	1,000,000 (note 3)	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Mr. Wu Kwok Keung Andrew	1,000,000 (note 1)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	–	1,000,000 (note 3)				1,000,000	13/06/2013	12/06/2023	HK$4.694
Ms. Zhang Yujuan	–	1,000,000 (note 3)	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Mr. Wan Kah Ming	1,000,000 (note 1)	–	666,666	–	–	333,334	29/03/2012	28/03/2022	HK$1.360
	–	1,000,000 (note 3)	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Employees (in aggregate)	–	59,090,000 (note 3)	–	–	1,320,000	57,770,000	13/06/2013	12/06/2023	HK$4.694
	22,750,000 (note 2)	–	4,258,000	–	1,785,333	16,706,667	20/02/2012	19/02/2022	HK$1.292
	3,000,000 (note 1)	–	800,000	–	–	2,200,000	29/03/2012	28/03/2022	HK$1.360
Total	**30,050,000**	**67,450,000**	**5,724,666**	–	**3,105,333**	**88,670,001**			

Other Information

Notes:

1. The closing price of the shares immediately before the date on which the share options granted on 29 March 2012 was HK$1.33. 1/3 of which are exercisable from 29/03/2013 to 28/03/2022; 1/3 of which are exercisable from 29/03/2014 to 28/03/2022; and remaining 1/3 are exercisable from 29/03/2015 to 28/03/2022.
2. The closing price of the shares immediately before the date on which the share options granted on 20 February 2012 was HK$1.27. 1/3 of which are exercisable from 20/02/2013 to 19/02/2022; 1/3 of which are exercisable from 20/02/2014 to 19/02/2022; and remaining 1/3 are exercisable from 20/02/2015 to 19/02/2022.
3. The closing price of shares immediately before the date on which the share options granted on 13 June 2013 was HK$4.57. 1/3 of which are exercisable from 13/06/2014 to 12/06/2023; 1/3 of which are exercisable from 13/06/2015 to 12/06/2023; and remaining 1/3 are exercisable from 13/06/2016 to 12/06/2023.

Using the Binominal Valuation model, the fair value of 67,450,000 share options granted on 13 June 2013 was approximately RMB5 million for the period under review. The significant inputs into the model were share price as at the grant date, exercise price, volatility of 53.01%, dividend yield of 3%, an expected option life of 10 years and on normal risk-free interest rate of 1.637%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a historical period with duration similar to the option life. The vesting period is between one year to three years. The value of the share options is subject to a number of assumptions and with regard to the limitation of model. Therefore, the value may be subjective and difficult to determine.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2014 under the Share Option Scheme.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

Hong Kong, 25 August 2014

Interim Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
Revenue		**1,056,859**	870,199
Other (losses), net		**(16,506)**	(80)
Operating costs			
Material costs		**(306,764)**	(182,379)
Employee benefit expenses	17	**(304,905)**	(236,466)
Operating lease expenses		**(42,482)**	(30,991)
Transportation costs		**(29,134)**	(24,125)
Depreciation and amortisation		**(41,728)**	(34,567)
Technical service expenses		**(88,759)**	(129,018)
Impairment loss of assets		**(4,752)**	(8,200)
Others		**(94,804)**	(90,292)
		(913,328)	(736,038)
Operating profit	18	**127,025**	134,081
Finance income		**1,504**	4,882
Finance costs		**(23,395)**	(14,851)
Finance costs, net	19	**(21,891)**	(9,969)
Profit before income tax		**105,134**	124,112
Income tax expense	20	**(24,834)**	(25,352)
Profit for the period		**80,300**	98,760
Profit attributable to:			
Equity owners of the Company		**81,407**	97,569
Non-controlling interests		**(1,107)**	1,191
		80,300	98,760
Earnings per share for the profit attributable to the equity owners of the Company			
Basic earnings per share	22	**0.0531**	0.0639
Diluted earnings per share	22	**0.0527**	0.0633

The notes on page 31 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Note	**2014** ***RMB'000*** **Unaudited**	2013 *RMB'000* Unaudited
Profit for the period		**80,300**	98,760
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		**6,013**	(12,680)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(65,701)**	(12,346)
Total comprehensive income for the period		**20,612**	73,734
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**21,622**	72,695
Non-controlling interests		**(1,010)**	1,039
		20,612	73,734

The notes on page 31 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

	Note	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	**398,943**	372,721
Land use right	7	**22,965**	23,206
Goodwill		**781**	781
Intangible assets	7	**31,795**	34,860
Deferred income tax assets	16	**82,768**	70,877
Available-for-sale financial assets		**–**	1,680
Prepayments and other receivables	10	**60,248**	40,147
		597,500	544,272
Current assets			
Inventories	8	**549,049**	484,947
Trade receivables	9	**1,362,742**	1,255,807
Prepayments and other receivables	10	**124,592**	106,376
Restricted bank deposits		**2,170**	24,840
Cash and cash equivalents		**524,625**	635,954
		2,563,178	2,507,924
Total assets		**3,160,678**	3,052,196
EQUITY			
Equity attributable to the Company's equity owners			
Ordinary share	11	**974**	972
Share premium			
– Proposed final dividend	21	**–**	76,520
– Others		**590,248**	586,706
Other reserves	12	**264,076**	242,483
Currency translation differences		**(169,362)**	(109,577)
Retained earnings		**1,068,363**	986,956
		1,754,299	1,784,060
Non-controlling interests		**46,124**	47,134
Total equity		**1,800,423**	1,831,194

Interim Condensed Consolidated Balance Sheet

	Note	**30 June 2014 *RMB'000* Unaudited**	31 December 2013 *RMB'000* Audited
LIABILITIES			
Non-Current liabilities			
Borrowings	13	**89,491**	84,772
Deferred income tax liabilities	16	**22,903**	22,089
		112,394	106,861
Current liabilities			
Borrowings	13	**262,000**	142,000
Current portion of long-term borrowings	13	**49,584**	48,013
Trade payables	14	**632,543**	683,680
Accruals and other payables	15	**230,139**	185,097
Current income tax liabilities		**73,595**	55,351
		1,247,861	1,114,141
Total liabilities		**1,360,255**	1,221,002
Total equity and liabilities		**3,160,678**	3,052,196
Net current assets		**1,315,317**	1,393,783
Total assets less current liabilities		**1,912,817**	1,938,055

The notes on page 31 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited							
		Equity attributable to owners of the Company							
		Ordinary shares	Share premium	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2014		972	663,226	242,483	(109,577)	986,956	1,784,060	47,134	1,831,194
Comprehensive income									
Profit for the period		–	–	–	–	81,407	81,407	(1,107)	80,300
Currency translation differences		–	–	–	(59,785)	–	(59,785)	97	(59,688)
Total comprehensive income		–	–	–	(59,785)	81,407	21,622	(1,010)	20,612
Transactions with owners									
Share-based payments	17	–	–	23,082	–	–	23,082	–	23,082
2013 final dividend declared in June 2014		–	(77,905)	–	–	–	(77,905)	–	(77,905)
Share options exercised		2	4,927	(1,489)	–	–	3,440	–	3,440
Total transactions with owners		2	(72,978)	21,593	–	–	(51,383)	–	(51,383)
Balance as at 30 June 2014		974	590,248	264,076	(169,362)	1,068,363	1,754,299	46,124	1,800,423

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited							
		Equity attributable to owners of the Company							
	Note	Ordinary shares *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2013		968	715,963	211,889	(37,054)	689,881	1,581,647	46,527	1,628,174
Comprehensive income									
Profit for the period		–	–	–	–	97,569	97,569	1,191	98,760
Currency translation differences		–	–	–	(24,874)	–	(24,874)	(152)	(25,026)
Total comprehensive income		–	–	–	(24,874)	97,569	72,695	1,039	73,734
Transactions with owners									
Share-based payments	17	–	–	5,429	–	–	5,429	–	5,429
2012 final dividend declared in June 2013		–	(61,158)	–	–	–	(61,158)	–	(61,158)
Share options exercised		3	5,097	(980)	–	–	4,120	–	4,120
Total transactions with owners		3	(56,061)	4,449	–	–	(51,609)	–	(51,609)
Balance as at 30 June 2013		971	659,902	216,338	(61,928)	787,450	1,602,733	47,566	1,650,299

The notes on page 31 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
Cash flows from operating activities			
Net cash (outflows)/inflows from operations		**(85,686)**	151,430
Interest paid		**(7,251)**	(8,287)
Interest received		**1,504**	3,186
Income tax paid		**(20,101)**	(34,492)
Net cash (used in)/generated from operating activities		**(111,534)**	111,837
Cash flows from investing activities			
Purchases of property, plant and equipment		**(113,153)**	(58,020)
Proceeds from disposal of property, plant and equipment		**410**	3,125
Purchase of intangible assets-computer software		**(724)**	(17)
Purchases of available-for-sale financial assets		**–**	(1,680)
Increase in term deposits with initial term of over three months		**–**	(10,013)
Proceeds from dispose of available-for-sale financial assets		**1,680**	–
Net cash used in investing activities		**(111,787)**	(66,605)
Cash flows from financing activities			
Proceeds from borrowings		**165,541**	82,847
Repayments of borrowings		**(52,489)**	(152,385)
Proceeds from exercise of share options		**3,439**	4,120
Net cash generated from/(used in) financing activities		**116,491**	(65,418)
Net decrease in cash and cash equivalents		**(106,830)**	(20,186)
Cash and cash equivalents, at beginning of the period		**635,954**	658,713
Exchange losses on cash and cash equivalents		**(4,499)**	(1,503)
Cash and cash equivalents at end of the period		**524,625**	637,024

The notes on page 31 to 52 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 4th Floor, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY-1112, Cayman Islands. The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 23 December 2011 through a global offering ("Global Offering").

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

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 25 August 2014.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted IFRIC-Int 21 'Levies'. IFRIC-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect IFRIC-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

Notes to the Interim Condensed Consolidated Financial Information

3. ACCOUNTING POLICIES (CONTINUED)

- Other amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

There are no other amended standards or interpretations that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to the year ended 31 December 2013, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit risk

The Group has concentrations of credit risk. Petro China Company Limited ("Petro China"), a PRC state owned enterprise with high credit rating, along with its related entities, accounted for approximately 80.7% and 83.4% of the Group's revenue for the six months ended 30 June 2014 and 2013, respectively. The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's 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.

5.4 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 available for sale financial assets and financial liabilities including trade and other payables and borrowings except for the fixed rate borrowings, approximate their fair values.

6. SEGMENT INFORMATION

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

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

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

The CODM assesses performance of 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.

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (CONTINUED)

(a) Revenue

Revenue recognised during the six months ended 30 June 2014 and 2013 is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**403,442**	340,987
Well completion	**343,916**	269,267
Reservoir	**309,501**	259,945
	1,056,859	870,199

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

(b) Segment information

(i) The segment information on EBITDA for the six months ended 30 June 2014 and 2013 is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA		
Drilling	**100,760**	89,034
Well completion	**89,432**	72,894
Reservoir	**90,652**	81,101
	280,844	243,029

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(ii) The segment information on total assets as at the respective balance sheet date is as follows:

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
Total assets		
Drilling	**1,091,001**	985,114
Well completion	**760,631**	543,346
Reservoir	**543,959**	607,247
	2,395,591	2,135,707

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

	Six months ended 30 June	
	2014 *RMB'000* Unaudited	2013 *RMB'000* Unaudited
EBITDA for reportable segments	**280,844**	243,029
Unallocated expenses		
– Share-based payments *(Note 17)*	**(23,082)**	(5,429)
– Other losses,net	**(16,506)**	(80)
– Unallocated overhead expenses	**(72,503)**	(68,872)
	(112,091)	(74,381)
	168,753	168,648
Depreciation and amortisation	**(41,728)**	(34,567)
Finance costs	**(23,395)**	(14,851)
Finance income	**1,504**	4,882
Profit before tax	**105,134**	124,112

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

(iv) 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 assets. Reportable segments' assets are reconciled to total assets as follows:

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Segment assets for reportable segments	**2,395,591**	2,135,707
Unallocated assets		
– Deferred income tax assets	**82,768**	70,877
– Unallocated inventories	**17,470**	66,573
– Unallocated prepayments and other receivables	**138,054**	116,565
– Restricted bank deposits	**2,170**	24,840
– Available-for-sale financial assets	**–**	1,680
– Cash and cash equivalents	**524,625**	635,954
	765,087	916,489
Total assets per balance sheet	**3,160,678**	3,052,196

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
PRC	**477,665**	335,678
Kazakhstan	**373,514**	361,683
Singapore	**162,098**	128,022
Canada	**36,476**	31,836
Others	**7,106**	12,980
	1,056,859	870,199

(ii) 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:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
PRC	**239,305**	255,051
Kazakhstan	**171,693**	123,523
Singapore	**52,040**	55,126
Canada	**14,347**	13,027
Others	**37,347**	24,988
	514,732	471,715

Notes to the Interim Condensed Consolidated Financial Information

7. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB'000*	Land use right *RMB'000*	Intangible Assets *RMB'000*
Six months ended 30 June 2014 (Unaudited)			
Net book value			
Opening amount as at 1 January 2014	**372,721**	**23,206**	**34,860**
Additions	**84,900**	**–**	**724**
Depreciation and amortisation	**(37,698)**	**(241)**	**(3,789)**
Disposals	**(5,550)**	**–**	**–**
Exchange differences	**(15,430)**	**–**	**–**
Closing amount as at 30 June 2014	**398,943**	**22,965**	**31,795**
Six months ended 30 June 2013 (Unaudited)			
Net book value			
Opening amount as at 1 January 2013	277,497	23,689	9,055
Additions	89,659	–	17
Depreciation and amortisation	(33,788)	(241)	(538)
Disposals	(2,112)	–	–
Exchange differences	(11,072)	–	–
Closing amount as at 30 June 2013	320,184	23,448	8,534

As at 30 June 2014, certain property, plant and equipment and all land use right amounting to RMB2,114,000 and RMB22,965,000, respectively have been pledged for the Group's bank borrowings (31 December 2013: RMB2,643,000 and nil respectively) (Note 13).

Notes to the Interim Condensed Consolidated Financial Information

8. INVENTORIES

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Raw materials	**453,539**	447,065
Work-in-progress	**118,212**	63,727
Finished goods	**4,736**	1,972
	576,487	512,764
Less: Provision for impairment of raw materials	**(27,438)**	(27,817)
	549,049	484,947

9. TRADE RECEIVABLES

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Trade receivables	**1,402,663**	1,292,003
Less: impairment of trade receivables	**(39,921)**	(36,196)
Trade receivables – net	**1,362,742**	1,255,807

Notes to the Interim Condensed Consolidated Financial Information

9. TRADE RECEIVABLES (CONTINUED)

(a) Most of the Group's trade receivables are with the expected credit term of six months, except for retention money amounting to approximately RMB8,136,000 (31 December 2013: RMB8,094,000).

Ageing analysis of gross trade and notes receivables as at the respective balance sheet date is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**954,588**	1,185,920
6 months – 1 year	**375,077**	24,224
1 – 2 years	**48,762**	76,509
2 – 3 years	**24,140**	5,264
Over 3 years	**96**	86
Trade and notes receivables, gross	**1,402,663**	1,292,003
Less: provision for impairment of trade receivables	**(39,921)**	(36,196)
Trade and notes receivables, net	**1,362,742**	1,255,807

As at 30 June 2014, trade receivables of RMB406,731,000 were past due but not impaired (31 December 2013: RMB66,358,000). These receivables relate to a number of independent customers for whom there is no recent history of default.

(b) Trade receivables amounting to RMB60,301,000 (31 December 2013: RMB22,000,000) have been pledged for the Group's borrowings (Note 13).

Notes to the Interim Condensed Consolidated Financial Information

10. PREPAYMENT AND OTHER RECEIVABLES

	30 June 2014 ***RMB'000*** **Unaudited**	31 December 2013 *RMB'000* Audited
Current		
Advances to suppliers	**37,033**	36,876
Prepayment for taxes	**28,315**	20,731
Total non-financial assets	**65,348**	57,607
Deposits and other receivables	**66,687**	59,325
Less: impairment of other receivables	**(7,443)**	(10,556)
Total financial assets	**59,244**	48,769
	124,592	106,376
Non-current		
Advances to suppliers (Non-financial assets)	**38,624**	23,435
Prepayment for operating lease (Non-financial assets)	**21,624**	16,712
	60,248	40,147
Total	**184,840**	146,523

(a) No deposits and other receivables as at 30 June 2014 and 2013 were past due but not impaired.

(b) As at 30 June 2014, non-current prepayments of RMB16,564,000 (31 December 2013: RMB16,712,000) has been pledged for the Group's borrowings (Note 13).

11. ORDINARY SHARES

	Number of share ***(Thousands)***	**Nominal value** ***RMB'000***
Authorised:		
Ordinary shares of US$0.0001 each as at 30 June 2014 and 31 December 2013	2,000,000	1,295
Issued shares:		
As at 31 December 2013	1,530,391	972
Add: share options exercised	3,329	2
As at 30 June 2014	1,533,720	974

Notes to the Interim Condensed Consolidated Financial Information

12. OTHER RESERVES

	30 June 2014 *RMB'000* **Unaudited**	31 December 2013 *RMB'000* Audited
Merger reserves	**(148,895)**	(148,895)
Equity component of convertible bonds	**32,370**	32,370
Share-based payments (a)	**124,348**	102,755
Statutory reserves	**47,331**	47,331
Capital reserves	**208,922**	208,922
	264,076	242,483

(a) Pursuant to the share option scheme, the Company granted on 20 February 2012 a total of 26,500,000 share options to 86 employees to subscribe for 26,500,000 ordinary shares of US$0.0001 each at an exercise price of HKD1.292. On 29 March 2012, another 7,300,000 share options were granted by the Company to four directors and one senior management member of the Company to subscribe for 7,300,000 ordinary shares of US$0.0001 each at an exercise price of HKD1.36. The Company further granted on 13 June 2013 a total of 67,450,000 share options to directors and employees to subscribe for 67,450,000 ordinary shares of US$0.0001 each at an exercise price of HKD4.694. These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Six months ended 30 June			
	2014 Weighted average exercise price per share options *HKD*	**Share options** ***(Thousands)*** **Unaudited**	2013 Weighted average exercise price per share options *HKD*	Share options *(Thousands)* Unaudited
As at 1 January	**4.24**	**89,003**	1.31	30,050
Granted	**–**	**–**	4.69	67,450
Forfeited	**1.29**	**(92)**	1.31	(541)
Exercised	**1.30**	**(3,329)**	1.31	(3,961)
As at 30 June	**4.36**	**85,582**	3.73	92,998

Notes to the Interim Condensed Consolidated Financial Information

13. BORROWINGS

	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Long-term borrowings		
– Secured bank borrowings (a)(i)	**11,106**	12,316
– Unsecured liability component of convertible bonds (b)	**78,385**	72,456
	89,491	84,772
Short-term borrowings (a)		
– Secured bank borrowings (a)(i)	**132,000**	22,000
– Unsecured bank borrowings	**130,000**	120,000
	262,000	142,000
Current portion of long-term bank borrowings (a)		
– Secured bank borrowings (a)(i)	**2,945**	2,552
– Unsecured bank borrowings	**46,639**	45,461
	49,584	48,013
	401,075	274,785

Note-

(a) Movement of bank borrowings

	Six months ended 30 June 2014 RMB'000 Unaudited
As at 1 January 2014	**202,329**
Proceeds of new borrowings	**165,541**
Repayments of borrowings	**(52,489)**
Currency translation difference	**7,309**
As at 30 June 2014	**322,690**

Notes to the Interim Condensed Consolidated Financial Information

13. BORROWINGS (CONTINUED)

Note- (continued)

(a) Movement of bank borrowings (continued)

	Six months ended 30 June 2013 *RMB'000* Unaudited
As at 1 January 2013	257,274
Proceeds of new borrowings	82,847
Repayments of borrowings	(152,385)
Currency translation difference	(52)
As at 30 June 2013	187,684

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

	30 June 2014 ***RMB'000*** **Unaudited**	31 December 2013 *RMB'000* Audited
Long-term bank borrowings		
Secured by:		
– Property, plant and equipment *(Note 7)*	**2,114**	2,643
– Long-term prepayments *(Note 10)*	**16,564**	16,712
	18,678	19,355
Short-term bank borrowings		
Secured by:		
– Trade and note receivables *(Note 9)*	**60,301**	22,000
– Land use right *(Note 7)*	**22,965**	–
	83,266	22,000

Notes to the Interim Condensed Consolidated Financial Information

13. BORROWINGS (CONTINUED)

Note- (continued)

(b) Movement of convertible bonds

	Six months ended 30 June 2014 ***RMB'000*** **Unaudited**
As at 1 January 2014	**72,456**
Accrued interest expense	**6,633**
Interest paid and payable	**(1,384)**
Currency translation difference	**680**
As at 30 June 2014	**78,385**

	30 June 2013 *RMB'000* Unaudited
As at 1 January 2013	65,249
Accrued interest expense	5,883
Interest paid and payable	(1,390)
Currency translation difference	(1,160)
As at 30 June 2013	68,582

During the year ended 31 December 2012, the Company and certain independent parties (the "Bond Holders") entered into an agreement (the "Agreement") pursuant to which the Company issued USD15,000,000 unsecured and non-redeemable convertible bonds with a coupon rate of 3% per annum (the "Bonds"). The Bonds are due on 20 August 2015 (the "Maturity Date"). The Bond Holders have the right to convert the Bonds into ordinary shares of the Company at a conversion price of HKD1.65 per share at any time commencing from 20 February 2013 up until to five business days before the Maturity Date. The Bonds were initially partially recognised as a liability which was subsequently re-measured at amortised cost and partially as a derivative liability which was subsequently re-measured at fair value through profit and loss.

Subsequently and before 31 December 2012, the Company and the Bond Holders entered into a supplemental deed whereby the conditions creating the partial derivative liability were extinguished and replaced by a new equity component (the "Supplemental Agreement"), while other Bonds' conditions remained the same. As such the carrying value of the original Bonds was de-recognised and replaced by the fair value of the new Bonds.

Following the payment of the final dividend of RMB0.05 (equivalent to HKD0.064) per share for the year ended 31 December 2013, the conversion price of the Bonds was in accordance with the Bond's conditions, adjusted from HK$1.63 per share (the "Conversion Price") to HK$1.60 per share (the "Adjusted Conversion Price") with effect from 18 June 2014. Save for the abovementioned adjustment to the Conversion Price, the other terms and conditions of the Bonds remained unchanged.

As at 30 June 2014, the total outstanding principal amount of the Bonds is US$15,000,000. The maximum number of conversion shares issuable by the Company upon full conversion of the Bonds will be 73,125,000 conversion shares based on the Adjusted Conversion Price.

Notes to the Interim Condensed Consolidated Financial Information

14. TRADE PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**469,695**	578,018
6 months to 1 year	**107,090**	52,566
1 – 2 years	**26,004**	33,472
2 – 3 years	**13,270**	1,234
Over 3 years	**16,484**	18,390
	632,543	683,680

15. ACCRUALS AND OTHER PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	Unaudited	Audited
Dividend payable	**77,904**	–
Interest payable	**3,023**	1,598
Others	**22,765**	19,778
Total financial liabilities	**103,692**	21,376
Customer deposits and receipts in advance	**10,919**	1,470
Payroll and welfare payable	**43,908**	57,446
Taxes other than income tax payable	**71,620**	104,805
Total non-financial liabilities	**126,447**	163,721
	230,139	185,097

Notes to the Interim Condensed Consolidated Financial Information

16. DEFERRED TAXATION

The movement in deferred income tax assets and liabilities during the six months ended 2014 and 2013, without taking into consideration offsetting the balances with the same tax jurisdiction, is as follow:

Deferred Tax Assets

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**70,877**	57,233
Credited to income statement *(Note 20)*	**10,640**	23,779
Currency translation difference	**1,251**	(126)
Closing balance at 30 June	**82,768**	80,886

Deferred Tax Liabilities

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**22,089**	20,666
Charged to income statement *(Note 20)*	**814**	5,229
Closing balance at 30 June	**22,903**	25,895

17. EMPLOYEE BENEFITS EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Wages, salaries and allowances	**239,649**	196,132
Housing benefits	**8,725**	5,864
Pension costs	**20,873**	19,541
Share-based payments	**23,082**	5,429
Welfare and other expenses	**12,576**	9,500
	304,905	236,466

Notes to the Interim Condensed Consolidated Financial Information

18. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Losses/(gains) on disposal of property, plant and equipment	**4,711**	(1,013)
Sales tax and surcharges	**1,496**	1,247
Depreciation	**37,698**	33,788
Amortisation of land use right and intangible assets	**4,030**	779
Auditor's remuneration	**1,600**	1,500

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**1,504**	3,186
– Net foreign exchange gains on financing activities	**–**	1,696
Finance income	**1,504**	4,882
Interest expense:	**(13,924)**	(11,014)
– Bank borrowings	**(7,291)**	(5,131)
– Liability component of convertible bonds	**(6,633)**	(5,883)
Net foreign exchange losses on financing activities	**(7,617)**	–
Bank charges	**(1,854)**	(3,837)
Total finance costs	**(23,395)**	(14,851)
Net finance costs	**(21,891)**	(9,969)

Notes to the Interim Condensed Consolidated Financial Information

20. INCOME TAX EXPENSE

The Group operates mainly in the PRC, Kazakhstan, Singapore and Canada. During the six months ended 30 June 2014, the Company expected the profit before tax in these countries was subject to the statutory income tax rate of 25%, 20%, 10% and 25% respectively.

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. For the six months ended 30 Jun 2014, certain subsidiaries established in the PRC were subject to an preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current taxation		
– PRC	**10,760**	17,522
– Kazakhstan	**17,960**	21,118
– Others	**5,940**	5,262
Deferred taxation	**(9,826)**	(18,550)
Income tax expense	**24,834**	25,352

21. DIVIDEND

The annual general meeting held on 5 June 2014 approved the Company to pay a final dividend for the year ended 31 December 2013 of RMB0.05 (equivalent to HKD0.064) per ordinary share, amounting to RMB77,905,000 (equivalent to HKD99,718,000). As at 30 June 2014, the dividend has not been paid.

The Board did not propose interim dividend for the six months ended 30 June 2014 and 2013.

Notes to the Interim Condensed Consolidated Financial Information

22. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to equity owners of the Company	**81,407**	97,569
Weighted average number of ordinary shares in issue (thousands)	**1,531,902**	1,526,346
Basic earnings per share (RMB per share)	**0.0531**	0.0639

(b) Diluted earnings per share

Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's share options and convertible bonds comprised the potential ordinary shares, however, when calculating the dilutive earnings per share for the six months ended 30 June 2014, the convertible bonds was excluded as it has an anti-dilutive factor for the period. As such, only share options factor was considered by comparing the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options with those that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Earnings		
Profit attributable to equity owners of the Company	**81,407**	97,569
Weighted average number of ordinary shares in issue (thousands)	**1,531,902**	1,526,346
Adjustment for:		
– Share options (thousands)	**14,131**	15,806
	1,546,033	1,542,152
Diluted earnings per share (RMB per share)	**0.0527**	0.0633

Notes to the Interim Condensed Consolidated Financial Information

23. COMMITMENT

(a) Capital commitments

Capital expenditure contracted for at the end of the financial period but not incurred is as below:

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
Property, plant and equipment	**43,799**	5,572

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

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:

	30 June 2014 *RMB'000* Unaudited	31 December 2013 *RMB'000* Audited
No later than 1 year	**24,211**	18,690
Later than 1 year and no later than 5 years	**70,417**	88,708
Later than 5 years	**282,514**	335,567
	377,142	442,965

Notes to the Interim Condensed Consolidated Financial Information

24. 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.

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:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Basic salaries and allowances	**8,343**	9,400
Discretionary bonuses	**2,109**	1,336
Share-based payments	**6,644**	1,410
Retirement benefits and others	**418**	262
	17,514	12,408

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