SPT Energy Group Inc.
華油能源集團有限公司 *

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

* for identification purpose only

Interim Report 2017

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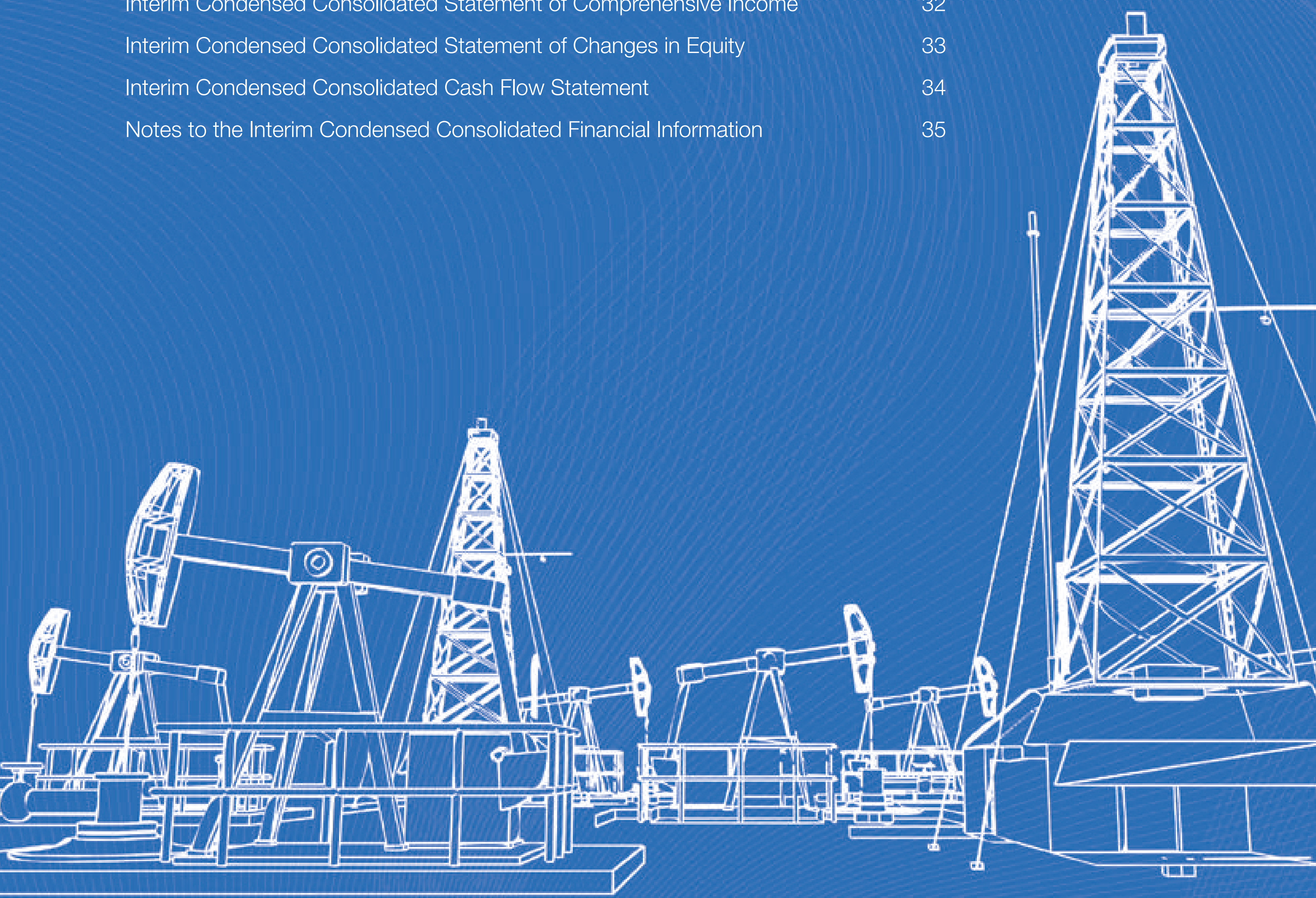

Corporate Information

THE BOARD

Executive Directors

Mr. Wang Guoqiang *(Chairman)*
Mr. Ethan Wu
Mr. Liu Ruoyan
Mr. Jin Shumao (resigned on 21 March 2017)
Mr. Li Qiang (appointed on 21 March 2017)

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.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

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Beijing
PRC
(postal code: 100012)

REGISTERED OFFICE

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802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

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

For the six months ended 30 June 2017 (the "Period" or "Reporting Period"), the crude oil market fell after its initial rally. Brent oil futures price zigzagged downward to US$44.6 per barrel from US$58.37 per barrel at the beginning of the year; whereas West Texas Intermediate crude oil futures price dropped to US$43.13 per barrel from US$56.46 per barrel at the beginning of the year. Despite that the global oil price declined during the Period, the overall performance of global oil price improved greatly as compared to 2016. We believe that, due to the self-regulation of the crude oil market, the oil price will enter a new steady state after attaining demand and supply equilibrium.

Under the backdrop of the global oil shocks, the negative factors of the global oil price cannot be ignored. Extra oil from Libya and Nigeria, exempted from the cut by the Organisation of the Petroleum Exporting Countries (the "OPEC"), increasing shale oil production from the United States and Qatar's potential geopolitical crisis put tremendous pressure on the global oil price. At the same time, the probability of crude oil inventory clearance was also likely to be extended. According to the monthly releases of the International Energy Agency (the "IEA"), the global crude oil production and inventory levels revealed an increasing trend. In April, as disclosed by the Organisation for Economic Co-operation and Development (the "OECD"), the crude oil recorded an inventory level higher than the mean for the last five years. Inventory clearance remained slow.

Amid global oil price instabilities, major oil producers coped with the prevailing environment by tightening its development strategies such as reducing investments and production. As a downstream oil-field service provider in the oil industry, we had no choice but to cut down management expenses and reduce fixed asset investments to survive given the tightening investments. Meanwhile, faced with shrinking orders of the oil-field service business, oil-field service providers also had no choice but to lower the unit rate to compete with their peers to secure a few number of orders. Intensifying competition in the industry further brought down the value of oil-field service companies, thus squeezing out the profits of SPT Energy Group Inc. (the "Company").

In view of the volatilities of the global oil price, oil-field service providers were actively adjusting their strategic layout to cope with the prolonged and changing industry landscape. During the Reporting Period, on the one hand, the Company and its subsidiaries (the "Group") continued to implement sound growth strategies which reduce general expenses, optimise the quality of orders and strengthen investment decision-making to cut down unnecessary investments. On the other hand, the Group continued to increase its investments in human and material resources in areas of market and products. As to the market, while steadily stepping up its development of the Central Asia markets including Kazakhstan and Turkmenistan and stabilising the existing markets in the PRC, the Group actively sought job opportunities in other countries and regions. During the Reporting Period, with respect to the overseas markets, the Group actively pushed ahead the expansion of nine workover equipment in West Kazakhstan and the expansion of well completion and simulation business in South Kazakhstan. In addition, it also expanded the coalbed gas drilling business in Indonesia. With respect to the PRC market, the Group actively expanded the marketing of shale gas, coalbed gas and complex gas fields, and developed the rotary geological steering technology, cementing technology and drilling fluid technology businesses in the southwest area. The Group also developed the coalbed gas drilling, workover and simulation businesses in Shanxi. In addition, the Group actively expanded the oil-field waste treatment market and made some breakthroughs specialising in the exploration of geothermal resources, and secured the turnkey contract for geothermal drilling and well completion in Xiongan.

As to products, the submersible direct-drive screw pump and the ultralow density proppant development by the Group further received wide recognition by the upstream oil producers and ongoing business orders were secured locally and abroad. At the same time, the Group put much emphasis on the technological research and development (the "R&D") of enhanced oil recovery at gas and oil fields, and created a series of products in water plugging agent, ultrasound simulation, intermediate phase chemical flooding and tertiary oil recovery. The Group then marketed these products to the overseas markets such as Kazakhstan and contracts were secured gradually. As to the manufacturing of well completion tools, the Group focused on the development and production of short-cycle and cheap products with quick return of proceeds according to the demands of oil and gas fields. Breakthroughs were achieved in soluble bridge plugs, composite bridge plugs and multistage fracturing improvement tools and oil swellable packers, and orders were sustained. In the midst of intensifying market competition, the Group gained greater room for survival and development through strengthening its own product differentiation advantages.

Revenue Analysis

During the Period, the Group realised revenue of RMB418.8 million, representing an increase of RMB18.2 million or 4.5% over the previous year. The analysis of the Group's revenue by business segment is as follows:

	For the six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	*(%)*
Reservoir	**220,596**	227,156	(2.9%)
Drilling	**147,223**	115,099	27.9%
Well Completion	**50,936**	58,367	(12.7%)
Total	**418,755**	400,622	4.5%

Given the turbulence of crude oil price at low levels, despite that the market expected that the downside risks associated with oil price are low, various oil producers kept on cutting down investments in oil-field development to reduce development costs. Coupled with the political and economic conditions in the PRC, all projects were open for tender, and many tender projects were only offered to large-scale oil-field service providers that have higher risk tolerance. Under such circumstances, many privately-owned oil-field service providers had to cope with fiercer competition and struggled against large-scale state-owned enterprises and international oil-field service providers. Based on the market conditions, the Group maintained a healthy financial position by focusing on the core needs of customers, analysing the objectives of the market and implementing a differentiated marketing strategy, which basically stabilised the Group's principal business of oil reservoir. In addition, the Group stepped up its efforts in activating fixed assets and strengthening the integrated management of inventories and supplies. As a result, the revenue from the drilling and well completion business segments recorded steady growth as a whole. During the Reporting Period, the revenue contribution from the reservoir service segment was 52.7%, representing a decrease of 2.9 percentage points as compared with the comparative period. This is because of the intensifying competition in reservoir service business in the Middle East. The Group had to greatly lower the bid price to secure the contracts. Accordingly, the revenue in the Middle East dropped by almost 40% over the comparative period. As a result, the revenue from the oil reservoir service business decreased over the comparative period of previous year. The drilling service segment and well completion service segment, in aggregate, accounted for 47.3% of the revenue contribution to the Company, mainly attributable to the Group's expansion of well completion and workover businesses in the overseas markets. The revenue from the drilling service segment grew by 27.9%. The well completion business remained competitive while the timing of completion of contracts had also been extended. As a result, the revenue from well completion business decreased by 12.7% over the comparative period of previous year. The total revenue of drilling and well completion business maintained a growth of 14.2%.

RESERVOIR SERVICE SEGMENT

Revenue	For the six months ended 30 June 2017 RMB'000	2016 RMB'000	Change (%)
Overseas	**130,319**	116,039	12.3%
PRC	**90,277**	111,117	(18.8%)
Total	**220,596**	227,156	(2.9%)

The reservoir service segment of the Company provides geology research and oil reservoir research services, dynamic monitoring service, oil testing service, oil recovery technology service, coiled tubing service and repair service of surface production devices. Through the provision of the above services, a close relationship between the Company and customers can be fostered so that the Company can quickly cater to customers' needs and promote other services to the customers. In the first half of the year, the oil price fluctuated and zigzagged upwards and the existing overseas markets performed better than the comparative period. The new markets, following the Group's expansion into Indonesia and the China Petrochemical Corporation ("Sinopec")'s Northeast China region, also performed well. However, given the intensifying competition in the oil-field service industry in PRC, the service rate and workload both diminished. Accordingly, the reservoir service business in the PRC market shrank greatly over the comparative period. However, the reservoir service business segment remained the largest revenue contributor during the Period, despite revealing a slight decline in the revenue from oil reservoir service segment over the comparative period. During the Reporting Period, the revenue from reservoir service segment amounted to RMB220.6 million, representing a decrease of RMB6.6 million or 2.9% over the comparative period of previous year. In particular, for the PRC market, due to the tightening of production related expenses by the three major oil producers in the PRC market and their large-scale oil-field service providers were prioritised, privately-owned oil-field service providers in China had no choice but to cut down their unit price to compete with their peers. As a result, the overall revenue from the PRC market decreased by RMB20.8 million or 18.8% as compared with the comparative period. For the overseas markets, the oil-field service providers in the Middle East tightened their production related expenses and their service rate was down by almost 40% over the comparative period. Fortunately, the Group was still able to actively expand its business, steadily expand its market share in the Central Asia market and actively expand into new markets such as Indonesia. Breakthroughs were achieved in the enhanced oil recovery techniques including submersible oil pumps, submersible direct-drive screw pumps and water plugging agents. As a result, the revenue from the overseas markets increased by RMB14.3 million or 12.3% over the comparative period of previous year.

During the Period, while focusing on the actual needs of energy saving and cost reduction among oil-field service customers, the Group stepped up the efforts of investment and market expansion in oil recovery process related technology and products. Through investment cooperation as well as R&D, the Group pushed ahead the introduction of the rodless pump oil exploration product series as represented by the submersible direct-drive screw pump, which greatly reduced the cost of oil exploration. The product series enjoyed unparalleled leading advantages in terms of exemption period extension and oil production power saving. During the Period, for several domestic oil field markets including Sinopec's North West branch, China National Petroleum Corporation's Tuha Oil-field, Changqing Oil-field and Daqing Oil-field, and as to the overseas markets, Kazakhstan's North Buzachi Oil-field, Ma Ting Oil-field and Karazhanbas Oil-field, the Group recorded substantial revenue and orders, and was stepping up its efforts to expand the oil rig market in an attempt to introduce such product from land to sea. At the same time, the Group put much emphasis on the technological R&D of enhanced oil recovery at gas and oil fields, and created a series of products in water plugging agent, ultrasound simulation, intermediate phase chemical flooding and tertiary oil recovery. The Group then marketed these products to the overseas market such as Kazakhstan and contracts were secured gradually. As to conventional business, apart from the time lag in securing the contracts in the traditional PRC market, the Group actively expanded into the new markets and made some breakthroughs in securing the business of Sinopec Northeast Petroleum Bureau in geothermal resources monitoring, which gradually sustained the business. For the overseas markets, namely Kazakhstan, Indonesia and Turkmenistan, the Group also outperformed its competitors in the conventional business and grew steadily leveraging on its leading technology and level of operation. In Iraq, amid fierce competition, the Group was still able to renew its conventional contracts in spite of the fairly substantial decline in the rate of conventional dynamic monitoring service.

DRILLING SERVICE AND WELL COMPLETION SERVICE SEGMENTS

Revenue from Drilling Service Segment

	For the six months ended 30 June		
Revenue	**2017**	2016	Change
	RMB'000	*RMB'000*	*(%)*
Overseas	**62,203**	28,109	121.3%
PRC	**85,020**	86,990	(2.3%)
Total	**147,223**	115,099	27.9%

The drilling services of the Company include drilling rig service, workover rig service, complex well workover and fishing service, rotary geological steering service, vertical drilling technology service, horizontal drilling technology service, side tracking technology service, underbalance drilling technology service, fine managed pressure drilling (FMPD) technology service, cementing services and drilling fluid services. During the first half of the year, as the global oil price hovered at low levels, oil producers locally and overseas further cut down the expenditure on upstream exploration, development and investment. The Group actively analysed the landscape and took the strategy of "follow-customer investments, gas exploration first, focusing on workover and stabilising drilling, and activating fixed assets". It also stepped up its efforts in the overseas markets. Not only did the Group activated its own workover and drilling assets, it also expanded the market by means of leasing. For the PRC market, it actively targeted at the development of the natural gas market. Substantial breakthroughs were made in the exploration and development of shale gas and coalbed gas. Accordingly, the Group extended its coalbed gas drilling and shale gas drilling business, and pushed ahead the application of proprietary technologies such as rotary geological steering technology, cementing technology and drilling fluid technology. The drilling service segment recorded substantial growth. During the Period, the revenue from drilling service segment amounted to RMB147.2 million, representing an increase of RMB32.1 million or 27.9% over the comparative period of previous year.

For the domestic market, leveraging on the remarkable drilling performance of the Group while facing the contraction in drilling scale among oil producers, the Group was again able to secure the turnkey contract for the drilling platform in Ordos Basin. During the Period, the Group completed drilling service for a total of 12 wells utilising two drilling equipment. On this basis, the Group secured the contract for the third drilling equipment and sustained its workload. The Group stepped up its expansion efforts in coalbed gas and continued to secure the coalbed gas drilling turnkey business such as the coalbed gas drilling service project in Qinshui, Shanxi and the drilling service project in Mabi, Shanxi. Meanwhile, it also obtained the contract for the brine well workover in the coalbed gas region in Shanxi and the cementing contract in the coalbed gas region in Guizhou. In addition, as to the shale gas market in Southwest China, the Group made some breakthroughs in the rotary geological steering service and completed the rotary geological steering for four wells. Workload will continue to improve in the future and contracts involving up to 40 wells are expected to be secured within the year. At the same time, the Group pushed ahead the expansion of other drilling technology and service of shale gas. Initially orders were secured in the area of drilling liquid and rapid drilling. In terms of complex gas well drilling service, the Group secured the contracts regarding the turbine drilling efficiency enhancement projects involving two wells in Tarim Oilfield, completed the underbalanced drilling service for two wells in Tarim Oilfield, and won the bid for and completed the complex well workover project involving 11 wells. Given the limited investment in the drilling service segment, the Group was able to steadily expand its PRC market share in drilling service with its leading technology and high customer recognition. As to new business expansion in the PRC, the Group actively expanded the geothermal resources drilling service and secured the contract for geothermal drilling in Xiongan New Area jointly with others from Sinopec Green Energy Geothermal Development Co., Ltd. With respect to environmental protection, the Group actively expanded the oilfield environmental business and obtained the permits for treatment of hazardous substances, wastewater and sludge. The contract for treatment of sludge and microorganisms and the contract for sewage treatment were secured in Tarim Oilfield, thus generating revenue.

For the overseas markets, the Group's drilling service work is primarily based in Kazakhstan. Affected by the global oil price, the investment expenditure and expenses in Kazakhstan were substantially reduced. In the meantime, the raised cost of materials for oil-field service providers greatly squeezed out the profits. The Group timely adjusted the operating strategy and focused on the expansion of workover related work in oilfields. During the Reporting Period, the Group secured the contract involving three workover equipment from North Kazakhstan's Kazakh oil company, the annual workover service contract involving four workover equipment from Kazakhstan's Mangystau Petroleum Company, the contract involving two workover equipment from Kazakhstan's Karazhanbas Oil and Gas Company, the annual workover contract from Kazakhstan's MIE Holdings Corporation and the annual workover service contract from Petro Kazakhstan, which effectively activated the workover equipment of the Group and expanded the workover business on this basis. In Indonesia, the Group activated the coalbed gas drilling equipment and completed the drilling workload for three wells during the Period.

Revenue from Well Completion Service

Revenue	For the six months ended 30 June 2017 RMB'000	2016 RMB'000	Change (%)
Overseas	**15,591**	28,356	(45.0%)
PRC	**35,345**	30,011	17.8%
Total	**50,936**	58,367	(12.7%)

The Company provides comprehensive well completion tools and service to customers, including well completion project design, well completion tools trading as well as simulation and fracturing service. During the Reporting Period, the revenue from well completion service segment decreased by RMB7.5 million or 12.7% over the comparative period of previous year to RMB50.9 million. This was mainly due to the increased competition and the extended period of bidding, affecting revenue in this period.

Faced with such challenging and competitive market of oil and gas fields, new technology and new product are the only key elements of oil-field service providers that can satisfy the demand for oil-field service. The Group closely followed market demand and devoted resources in the R&D of reservoir reformation technique and introduction of cost effective and efficiency well completion process to maintain its position in the major markets. For the domestic market, following the successful application of the FulconFracTM full-length diversion fracturing technology in the reservoir of tight oil and gas fields and mines last year, the Group entered into the trial contract with respect to the 20-level fracturing of shale gas horizontal well with Sichuan's Changning Shale Gas Company. The success of the trial will greatly facilitate the large-scale development of shale gas in China. Meanwhile, the R&D team of the Group's manufacturing centre focused on the development and production of short-cycle and cheap products with quick return of proceeds and breakthroughs were achieved. The Group continued to secure orders from Liaohe Oilfield with respect to the screen pipe developed and sold 128 slip on oil swellable packers to Baker Hughes Malaysia. The ancillary multistage fracturing improvement tool researched for horizontal wells in Kazakhstan was sold for two wells. Orders for ten 5" PHS packers were placed by Southwest Oil and Gas Field. Ground and on-site testing of soluble bridge plugs and composite bridge plugs was completed. It is expected that a one-year contract for 100 composite bridge plugs and a three-year contract for 500 soluble bridge plugs will be entered into with the customers. Moreover, while focusing on activating fixed assets and managing existing supplies, the Group made substantial breakthroughs in the first half of the year. At the same time, it secured the contract for vertical well and horizontal well fracturing service in the coalbed gas region in Qinshui, Shanxi and was actively expanding into Changqing Oilfield and Southwest Oil and Gas Field for the fracturing service contract.

For the overseas markets, the Group actively expanded the fracture acidizing simulation service, activated the fracturing equipment as well as enhanced the technologies of fracturing by dragging of coiled tubing and multistage fracturing improvement. Thus, the annual contracts from Kazakhstan's Petro Kazakhstan Kumkol Resources Company, Kazgermunai Company and KAM Company were secured. The Group also actively expanded the well completion market in Southeast Asia and secured the contracts for the supply of rig tools and well completion tools from CNOOC SES, Ltd. and the local customers in Indonesia. The Group's Singapore well completion manufacturing centre obtained the American Petroleum Institute (the "API") safety valve system certification, making it one of the few manufacturers in Singapore to have the API system certification for whole set of well completion tool. During the Reporting Period, the Group successfully expanded the market and secured orders from Indonesia, Burma and Iraq. Once the drilling rig counts increase, the competitiveness of the well completion tools of the Group will be greatly enhanced.

MARKET ENVIRONMENT

In the first half of 2017, the global oil price had a few attempts but failed to exceed the level of US$60 per barrel. After rounds of turbulence, the global oil price has returned to approximately US$45 per barrel now. Following the signing of the output reduction agreement in November 2016, the market had high expectations on the oil price. However, up to date, the performance of oil price is not as strong as expected. Coupled with the recent geopolitical instabilities in the Middle East, the severance of relations with Qatar by seven countries and the change in royal succession in Saudi Arabia, these geopolitical instabilities amid the low oil price environment had tremendous effects on the oil price. According to our analysis, despite the external market instabilities, we believe that the downside possibilities of the global oil price is minimal. The petroleum price (Brent oil price) will be fluctuate between the range of US$45 per barrel to U$65 per barrel and we do not have to be too pessimistic about the global oil price.

The Group mainly operates in the PRC, Kazakhstan, Canada, Turkmenistan, Indonesia and the Middle East. During the Period, revenue generated from Kazakhstan accounted for 29.7% of the Group's total revenue. As a result, Kazakhstan remained the largest overseas market of the Group in terms of revenue contribution. In August 2015, Kazakhstan central bank cancelled the restriction on the floating range of Kazakhstan Tenge ("KZT")'s exchange rate and as a consequence, KZT was greatly devalued by 85% as compared with that at the beginning of the year 2015. During the first half of the year 2017, KZT's exchange rate fluctuated approximately between one US dollar to 310 KZT and one US dollar to 340 KZT, which was basically stable. As at 30 June 2017, KZT was slightly appreciated by 3% as compared with that at the beginning of the year 2017. As such, the KZT's volatility does not bring significant risk to the Group's profitability currently. However, the long-term trend of KZT's exchange rate remains uncertain, and therefore volatility of KZT's exchange rate may still bring foreign currency exchange risk to the Group in the future.

Overseas Markets

Looking forward, the global crude oil market will remain affected by the demand and supply. It is expected that the global oil price will enter a new steady state. The Group always keeps a close eye on the following:

1. Increasing production of shale oil from the United States, which has an adverse impact on the global oil price. Rig counts in the United States has been on the rise for 23 consecutive weeks. As at 23 June 2017, rig counts in the United States increased to 758 rigs, as compared to only 330 rigs in the same period of 2016, hitting a new high since April 2015. The output reduction agreement signed in the beginning of the year has pushed the global oil price up to the threshold of US$60 per barrel. This upside in oil price has provided a chance to place hedges for the United States oil market where hedge funds bet on rising oil price in the United States market, thus boosting production. The boost in oil production in the United States will have considerable downside pressure on the recovery of the global oil price.

2. In May 2017, the OPEC and non-OPEC countries agreed to extend the term of the output reduction agreement to March 2018 with the total output reduction remaining unchanged. Under this output reduction programme, the terms of output reduction for exempt countries including Iran, Iraq and Nigeria are the same as the previous output reduction agreement, and no countries other than those in the first output production are added to the list of countries subject to output reduction. Taking into account that the OPEC is a loosely organised interest entity with different needs, the Group is prudently optimistic regarding the output reduction agreement. Looking into the future, the oil price volatilities will be mainly driven by the extent of the output reduction by the OPEC and the increase in production of shale oil in the United States. However, taking into account the production costs of the shale oil in the United States, it is expected that the global oil price will not be subject to tremendous downside pressure in the future.

3. The inventory clearance of crude oil is slower than expected. The high inventory level in the crude oil market is one of the key factors to curb the global oil price from rising. As at the end of June 2017, the crude oil inventory in the OECD members was on the rise and hit its high now. Currently, the inventory level of the OECD members is maintained at approximately 3.0 billion barrels, which is higher than the average for the past five years. Such abundant inventory is one of the factors which constrains the global oil price from soaring. Despite that the crude oil inventory has recently decreased as a result of the seasonal demand in the United States, the production of crude oil in the United States grew considerably since the end of 2016. Coupled with the additional production from other countries, the phenomenon of crude oil oversupply remains and the inventory clearance is likely to be slower than expected.

PRC Market

The PRC crude oil market is picking up after the global oil price has spiked to its high. The Group is seeking the right opportunities to expand the market and enhance its own operating results in this round of price spike. The Group will continue to keep a close eye on the following:

1. The three major oil producers in the PRC have raised their capital expenditure plans for 2017. In a few years back, these three PRC oil producers adhered to the strategy of “cost reduction, efficiency enhancement and strict control over investments”, which directly resulted in the decline of business orders in the downstream oilfield service industry. At the 2017 work conference, the PRC oil producers proposed the strategic deployment of increasing reserves and stabilising production, and raised the capital expenditure plans for 2017. These three PRC oil producers have raised their capital expenditure plans for 2017 to approximately RMB366.5 billion, up by 13% as compared with that in the same period of last year. We believe that, leveraging on our own strengths in terms of technology and product, the Group will be able to seize the opportunities arising from this increase in investment expenditures and explore more workload and orders to improve the business performance of the Company.

2. Following the announcement of the framework for the oil and gas industry reform, the marketisation reform may generate more business opportunities to the Group. In May 2017, the central government and the State Council jointly issued the Opinions on Deepening the Reform of the Oil and Gas System (《關於深化石油天然氣體制改革的若干意見》), which clearly states that the oil and gas industry will optimise and open the oil and gas exploration and exploitation system in an orderly manner, and a sound oil and gas safety and environmental system will be established to enhance the safety and green operations capabilities of the industry chain. The Group is among the best in terms of the oil and gas exploration and exploitation technology in the industry. In particular, its self-developed products, such as the submersible direct-drive screw pump, are well received by the customers. The Group will have greater room for development with the policy to open the oil and gas exploration and exploitation system.

3. With the promulgation of the PRC environmental laws and regulations such as the New Environmental Protection Law, the Action Plan for Soil Pollution Prevention (土十條) and Control and the Action Plan for Water Pollution Control (水十條), the level of environmental governance among the PRC oil and gas companies is unprecedentedly high. At the same time, faced with the environmental governance and increasing demand for clean energy in China, the natural gas development is the choice of alternative fuels. The three major PRC oil producers have basically sustained their investment in the exploration and development of natural gas with focus on three areas, namely structurally complex and deep gas reservoir, tight gas, and shale gas and coalbed gas. Meanwhile, these three major oil producers also actively look into the integrated development of geothermal resources and strengthen the sales network and development of the downstream fuel gases in the natural gas segment. Similarly, the Group is actively building the environmental business and the safety and clean energy operations. The Group believes that, as the reform of the PRC oil and gas industry deepens, the Group will be able to seize more business opportunities and usher into another round of fast growth.

R&D AND MANUFACTURING

During the Period, the Group's scientific research efforts focused on technologies such as non-conventional oil and gas simulation and improvement, drilling plugging and near well casing diversion with increased investments in scientific research. In addition to attaining merits for 31 scientific research materials submitted at the beginning of the year, 13 project establishments have been confirmed. At the same time, the Group has also made new requirements on the conversion of past achievements of scientific research so that the significant effects are generated from the application of scientific research achievements.

Following the successful application of the submersible direct-drive screw pump in mines with an ultra-depth of 3,000 metres by the project technology centre at the end of 2016, it was again officially applied at the heavy oil reservoir in Tahe, Xinjiang in February 2017. Currently, the equipment is running smoothly. At the end of June 2017, the integrated submersible electric screw pump lifting system had its trial run at Changqing Oilfield. Initially, the equipment was running normally and the performance of the main equipment was better. After this trial, we have obtained a vast of relevant data, thus providing new parameters for improving the stability of subsequent cable optimisation and equipment connection. Following the successful application of the FulconFracTM full-length diversion fracturing technology in the tight oil and gas reservoirs last year, the Group entered into the trial contract with respect to the 20-level fracturing of shale gas horizontal well with Sichuan's Changning Shale Gas Company, which is expected to be implemented in the second half of the year. Once the technology has made significant breakthroughs in the simulation of shale gas, it will greatly facilitate the large-scale development of shale gas in China. Meanwhile, the technology was granted the First Class Award in fracture acidizing technique and application achievements for the oil industry at the 7th National Oil and Gas Reservoir Fracture Acidizing Technique Improvement organised by China Petroleum and Petrochemical Engineering Institute this year. Therefore, the technology is widely acclaimed by industry experts.

Enecal Oil Tools manufacturing centre has set foot in the production of short-cycle and cheap products with quick return of proceeds in view of the high market demand. In 2017, initial progress was made with respect to the 12 R&D topics. In addition, the Group has applied for one invention patent and two utility model patents. Some of the scientific research achievements have been applied in the market and generated significant economic benefits. For instance, 128 slip on oil swellable packers were sold to Baker Hughes Malaysia. In Aktobe, the ancillary multistage fracturing improvement tool researched for AMG horizontal wells was sold for two wells. Orders for ten 5" PHS packers were placed by Southwest Oil and Gas Field. Soluble bridge plugs and composite bridge plugs have completed ground testing and are ready for on-site testing. Once accepted by customers, it is intended that a one-year contract for 100 composite bridge plugs and a three-year contract for 500 soluble bridge plugs will be entered into with the customers.

HUMAN RESOURCES

Based on the business development needs of the Group, the following human resources measures were adopted:

Based on the strategic business development needs of the Group, to better cope with the market changes and in adherence to the principle "flat and quick response", the Group focused its limited resources to the market-side and rationalised the duties of the management of the Group where each vice president is directly responsible for one market region and operating unit. To enhance our operating results, we targeted at market expansion, supported the front-end market, reduced the time of decision-making and simplified the decision-making procedures. Initially, our efforts are taking effect.

To ensure that our group companies accomplish their annual business targets and reasonably downsize their business units, the operating indicators issued by the Board are distributed to various business units which state clearly the key works of various function departments and performance appraisal contracts are entered into with various business units and function departments. A reasonable incentive system is established where the employee performance is linked to the performance of the Company. While striving to achieve the business indicators, we have reduced the ratio of labour costs to revenue, fully motivated the employees' incentives and optimised the cost structure.

To ensure that our group companies implement the human resource strategy and seize the opportunities arising from the recovery of the industry, we have reasonably optimised our existing team and recruited some talent professionals to fill and stabilise the team according to the business development needs. The Group also attached greater importance to the development of the key members in the team. Through planning and designing career development and introducing enhancement training programmes, the core human resources of the Group are fully utilised. As at 30 June 2017, the number of employees registered with the Group was 3,440, increased by 427 as compared with the number of employees as at 31 December 2016 of 3,013.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, revenue of the Group was RMB418.8 million, representing an increase of RMB18.2 million, or 4.5%, as compared with that of RMB400.6 million for the comparative period of last year. The increase was mainly due to the increase in industry investments and recovery of the oil-field services market as a result of the rising crude oil price over last year.

Other losses, net

For the six months ended 30 June 2017, other gains, net of the Group was RMB35.0 million, as compared with other losses, net of RMB9.0 million for the comparative period of last year. It was mainly due to the devaluation of USD against RMB and the Group held borrowings based in USD.

Material costs

For the six months ended 30 June 2017, material costs of the Group amounted to RMB104.6 million, representing an increase of RMB33.3 million, or 46.7%, as compared with that of RMB71.3 million for the comparative period of last year. The increase of material costs was mainly due to the growth in business volume of the Group.

Employee benefit expenses

For the six months ended 30 June 2017, employee benefit expenses of the Group were RMB165.5 million, representing a decrease of RMB11.7 million, or 6.6%, as compared with that of RMB177.2 million for the comparative period of last year. The decrease reflected the efforts of the Group to cut labour costs by layoff of redundant employees.

Operating lease expenses

For the six months ended 30 June 2017, operating lease expenses of the Group was RMB34.8 million, representing an increase of RMB8.5 million, or 32.3%, as compared with that of RMB26.3 million for the comparative period of last year. It was mainly due to the growth of volume of operating activities of the Group.

Transportation costs

For the six months ended 30 June 2017, transportation costs of the Group amounted to RMB6.2 million, representing a decrease of RMB3.2 million, or 34.0%, as compared with that of RMB9.4 million for the comparative period of last year. The decrease was mainly due to the cost reduction efforts of the Group.

Depreciation and Amortisation

For the six months ended 30 June 2017, depreciation and amortisation of the Group was RMB45.9 million, representing a decrease of RMB10.1 million, or 18.0%, as compared with that of RMB56.0 million for the comparative period of last year. The decrease was mainly due to certain fixed assets becoming fully depreciated.

Technical service expenses

For the six months ended 30 June 2017, technical service expenses of the Group were RMB31.6 million, representing an increase of RMB1.4 million, or 4.6%, as compared with that of RMB30.2 million for the comparative period of last year. The increase was mainly due to the growth of volume of operating activities of the Group.

Impairment loss of assets

For the six months ended 30 June 2017, impairment loss of assets of the Group was RMB17.7 million, representing an increase of RMB6.9 million, or 63.9%, as compared with that of RMB10.8 million for the comparative period of last year. It was mainly due to provision for diminution in value of inventories and receivables.

Others

For the six months ended 30 June 2017, other operating costs of the Group were RMB56.4 million, representing an increase of RMB2.0 million, or 3.7%, as compared with that of RMB54.4 million for the comparative period of last year.

Operating loss

As a result of the aforementioned reasons, the Group's operating loss during the period was RMB8.9 million, representing a substantial decrease of 79.8% compared with the operating losses of RMB44.0 million for the comparative period of last year.

Finance costs, net

For the six months ended 30 June 2017, the Group's finance costs, net was RMB15.2 million, representing a decrease of RMB0.5 million, or 3.2%, as compared with that of RMB15.7 million for the comparative period. The decrease was mainly due to the Group's ongoing efforts to maintain a sound financial structure.

Income tax expense

For the six months ended 30 June 2017, income tax expense was RMB15.8 million, as compared with income tax credit of RMB0.3 million for the comparative period of last year, representing an increase of income tax expense of RMB16.1 million. The income tax expense was mainly due to the profit generated by certain subsidiaries and reversal of certain deferred tax assets related to tax losses.

Loss for the period

As a result of the aforementioned reasons, the Group's loss for the period was RMB40.0 million, representing a significant decrease of RMB20.3 million, or 33.7%, as compared with that of RMB60.3 million for the comparative period of last year.

Loss attributable to equity owners of the Company

For the six months ended 30 June 2017, losses attributable to equity owners of the Company was RMB35.0 million, representing a decrease of RMB19.2 million, or 35.4%, as compared with that of RMB54.2 million for the comparative period of last year.

Property, plant and equipment

As at 30 June 2017, property, plant and equipment was RMB362.1 million, representing a decrease of RMB30.8 million, or 7.8%, from RMB392.9 million as at 31 December 2016. This was mainly due to the very limited investment in new equipment as well as depreciation of equipment.

Inventories

As at 30 June 2017, inventories were RMB337.9 million, representing a decrease of RMB33.7 million, or 9.1%, from RMB371.6 million as at 31 December 2016.

Trade and note receivables/Trade payables

As at 30 June 2017, trade and note receivables was RMB496.4 million, representing a decrease of RMB67.3 million, or 11.9%, from RMB563.7 million as at 31 December 2016. The decrease was mainly due to greater effort in the recovery of trade receivables.

As at 30 June 2017, trade payables was RMB413.6 million, representing a decrease of RMB79.3 million, or 16.1%, from RMB492.9 million as at 31 December 2016. The decrease was mainly due to the accelerated payment of certain trade payables.

Liquidity and capital resources

As at 30 June 2017, the Group's cash and bank deposits, comprising cash and cash equivalents, restricted bank deposits and term deposits with initial terms over 3 months, were RMB154.2 million, representing a decrease of RMB109.3 million, or 41.5%, from RMB263.5 million as at 31 December 2016. The decrease was mainly due to the repayment of bank borrowings and payment of routine operation expenses.

As at 30 June 2017, the Group's short-term borrowings and current portion of long-term borrowings were RMB147.8 million while the long-term borrowings were RMB99.8 million. As at 31 December 2016, the Group's short-term borrowings and current portion of long-term borrowings were RMB279.2 million while the long-term borrowings were RMB103.1 million.

As at 30 June 2017, the Group's gearing ratio was 25.8%, representing a decrease of 12.0% as compared with 37.8% as at 31 December 2016. Gearing ratio was calculated as total borrowings divided by total equity. Total borrowings included long-term borrowings, short-term borrowings and current portion of long-term borrowings.

Cash flows from operating activities

For the six months ended 30 June 2017, the Group's net cash generated from operating activities was RMB38.0 million, while the net cash used in operating activities was RMB49.6 million for the comparative period of last year. While the Group suffered a loss during the Period, it has managed to control its working capital so as to maintain liquidity.

Cash flows from investing activities and financing activities

For the six months ended 30 June 2017, the Group's net cash used in investing activities was RMB20.9 million, mainly resulting from the increase in restricted bank deposit and purchase of equipment.

For the six months ended 30 June 2017, the Group's net cash used in financing activities was RMB135.2 million, mainly resulting from the decrease of bank borrowings of RMB76.4 million.

Capital structure

The capital of the Company comprises only share capital. As at 30 June 2017, the total number of share capital of the Company in issue was 1,534,790,332 shares (31 December 2016: 1,534,790,332 shares). As at 30 June 2017, equity attributable to the equity owners of the Group was RMB864.4 million, representing a decrease of RMB50.9 million, or 5.6%, as compared with RMB915.3 million as at 31 December 2016.

Significant investment held

As at 30 June 2017, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the six months ended 30 June 2017, the Group had no material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 30 June 2017, the Group pledged parts of its property, plant and equipment, land use rights, restricted bank deposit, long-term prepayments and trade and note receivables to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Property, plant and equipment	**74**	141
Long-term prepayments	**16,248**	16,977
Trade and note receivables	**39,799**	56,027
Land use rights	**21,517**	21,758
Restricted bank deposit	**1,500**	1,500

Contingent liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2017, the Group had no off-balance sheet arrangements.

Contractual obligations

The Group's contractual commitment mainly included capital expenditure commitments and repayments under operating lease commitments.

Subsequent event

Subsequent to 30 June 2017, the Company had no material subsequent events.

Subsequent Work Plan

Based on the work plans of the Group formulated at the beginning of the year, we will continue to focus on the following five areas in the second half of the year:

1. Strengthening the development of financing capabilities, and maintaining healthy financial structure and liquidity remains the top priority in this financial year.

2. Strengthening the integrated management of inventories and supplies through activating fixed assets and resources integration, improving the organisation and management of manufacturing activities to steadily expand the existing markets and keep production and operational costs down.

3. Continuing the R&D efforts in core technologies and exploring new projects according to customers' core needs; enhancing the Group's bargaining power in the market; establishing brand reputation, avoiding price competition and gaining market share through providing value-added or unique products and services.

4. Extending the Group's upstream and downstream product lines based on the oil-field service market landscape; focusing on businesses such as green business development, geothermal resources exploration and utilisation, natural gas integrated utilisation so as to enhance the new core competitiveness of the Group.

5. Promoting small unit operations; taking active incentive measures and policies to motivate the employees' initiative and capability in business expansion; and proactively exploring market opportunities.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 of the Company (the "Directors"), each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The audit committee has jointly reviewed the accounting policies and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2017 of the Group with the management and the auditors of the Company.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed of the Company's securities.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE SUBSEQUENT TO THE 2016 ANNUAL REPORT

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in Directors' information are set out below.

Mr. Jin Shumao has resigned as an executive Director of the Company with effect from 21 March 2017 due to the reason of age. Mr. Li Qiang has been appointed as an executive Director of the Company with effect from 21 March 2017.

Save as disclosed above, up to the date of this report, there is no change to information which is required to be disclosed 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 2017, 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/Chief Executive	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Wang Guoqiang	Beneficiary of trusts (note 1)	648,484,000 (L)	42.25%
	Beneficial owner (note 3)	2,590,000 (L)	0.17%
Mr. Ethan Wu	Beneficiary of trusts (note 2)	648,484,000 (L)	42.25%
	Beneficial owner (note 3)	2,590,000 (L)	0.17%
Ms. Chen Chunhua (note 3)	Beneficial owner	3,500,000 (L)	0.23%
Mr. Liu Ruoyan (note 3)	Beneficial owner	3,890,000 (L)	0.25%
Mr. Wan Kah Ming (note 3)	Beneficial owner	2,866,667 (L)	0.19%
Mr. Wu Kwok Keung Andrew (note 3)	Beneficial owner	3,500,000 (L)	0.23%
Mr. Li Qiang (note 3)	Beneficial owner	11,568,000 (L)	0.75%
Ms. Zhang Yujuan (note 3)	Beneficial owner	2,500,000 (L)	0.16%
Mr. Lin Yang (note 3)	Beneficial owner	1,500,000 (L)	0.10%
Mr. Jiang Qingsong	Beneficial owner (note 3)	11,500,000 (L)	0.75%
	Interest of controlled corporation	3,000,000 (L)	0.19%

Notes:

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

2. (i) Mr. Ethan Wu and his family members are the beneficiaries of Widescope Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 137,372,000 shares of the Company held by Elegant Eagle Investments Limited via Widescope Holdings Limited. (ii) Mr. Wu and his family members are the beneficiaries of True Harmony Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited. (iii) Mr. Ethan Wu is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.

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

4. “L” denotes long position.

Save as disclosed above, as at 30 June 2017, 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

No time during the six months ended 30 June 2017 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.

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

As at 30 June 2017, 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	137,372,000 (L)	8.95%
Elegant Eagle Investments Limited (note 1)	Interest of controlled corporation	157,972,000 (L)	10.29%
Truepath Limited	Beneficial owner	489,512,000 (L)	31.89%
Red Velvet Holdings Limited (notes 2 and 7)	Interest of controlled corporation	489,512,000 (L)	31.89%
Credit Suisse Trust Limited (note 3)	Trustee	763,182,442 (L)	49.73%
Greenwoods Asset Management Limited (note 4)	Interest of controlled corporation	120,062,000 (L)	7.82%
Greenwoods Assets Management Holdings Limited (note 4)	Interest of controlled corporation	120,062,000 (L)	7.82%
Jiang Jinzhi (note 4)	Interest of controlled corporation	120,062,000 (L)	7.82%
Unique Element Corp. (note 4)	Interest of controlled corporation	120,062,000 (L)	7.82%
Central Huijin Investment Ltd. (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
China Everbright Group Ltd. (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
China Everbright Holdings Company Limited (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
China Everbright Limited (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
China Special Opportunities Fund III, L.P. (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
CSOF III GP Limited (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%
Forebright Partners Limited (note 5)	Interest of controlled corporation	90,068,769 (L)	5.87%

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 137,372,000 and 21,600,000 shares of the Company held by these two companies respectively.

2. According to the records of the Stock Exchange, Truepath Limited beneficially owned 489,512,000 shares and Red Velvet Holdings Limited is deemed to be interested in 487,512,000 shares. However, as Truepath Limited is wholly owned by Red Velvet Holdings Limited, Red Velvet Holdings Limited is deemed to be interested in 489,512,000 shares of the Company.

3. Credit Suisse Trust Limited is the trustee of the Widescope Trust, the Truepath Trust, the Jumbo Wind Trust and the Windsorland Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited, Red Velvet Holdings Limited, Starshine 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.

4. Such 120,062,000 shares represent the same block of shares.

5. The shares held by Central Huijin Investment Ltd., China Everbright Group Ltd., 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 69,230,769 underlying shares of the Company (based on the adjusted conversion price of HK$1.69) 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). Please refer to the announcements of the Company dated 12 June 2015 and 15 June 2015 for details.

6. "L" denotes long position.

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

Save as disclosed above, as at 30 June 2017, 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 is authorised, at its 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.

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 as at 23 March 2015 were 32,250,000 shares, representing approximately 2.1% of the issued share capital of the Company. The Company has refreshed the Share Option Scheme mandate limit at the annual general meeting held on 10 June 2015, representing 10% of the shares in issue on the same date (i.e. a total of 153,479,033 shares).

As at 30 June 2017, the maximum number of shares available for issue under the Share Option Scheme was 153,479,033 shares, representing approximately 10% of the issued share capital of the Company.

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. The remaining life of the Scheme is 4 years and 5 months.

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 refreshment of the Share Option Scheme mandate limit on 10 June 2015. 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 2017 are as follows:

	Number of share options								
Grantee	Outstanding as at 1 January 2017	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2017	Date of grant	Date of expiry	Exercise price per share
Directors									
Mr. Wang Guoqiang	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490

Grantee	Number of share options Outstanding as at 1 January 2017	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2017	Date of grant	Date of expiry	Exercise price per share
Mr. Ethan Wu	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. 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
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Jin Shumao	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
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
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Lin Yang	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Wu Kwok Keung Andrew	1,000,000 (note 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
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Li Qiang	568,000 (note 2)	–	–	–	–	568,000	20/02/2012	19/02/2022	HK$1.292
	1,000,000 (note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	10,000,000 (note 4)	–	–	–	–	10,000,000	31/08/2016	30/08/2026	HK$0.490
Ms. Zhang Yujuan	1,000,000 (note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Mr. Wan Kah Ming	333,334 (note 1)	–	–	–	–	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
	1,500,000 (note 4)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
Employees (in aggregate)	106,500,000 (note 4)	–	–	–	300,000	106,200,000	31/08/2016	30/08/2026	HK$0.490
	41,110,000 (note 3)	–	–	–	1,620,000	39,490,000	13/06/2013	12/06/2023	HK$4.694
	9,291,334 (note 2)	–	–	–	328,667	8,962,667	20/02/2012	19/02/2022	HK$1.292
	1,450,000 (note 1)	–	–	–	–	1,450,000	29/03/2012	28/03/2022	HK$1.360
Total	**195,412,668**	**–**	**–**	**–**	**2,248,667**	**193,164,001**			

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.

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

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2017 under the Share Option Scheme.

INTERIM DIVIDEND

The Board proposed not to declare interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

Hong Kong, 24 August 2017

Interim Condensed Consolidated Balance Sheet

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	**30 June 2017** *RMB'000* **Unaudited**	31 December 2016 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	**362,067**	392,852
Land use right	7	**21,517**	21,758
Intangible assets	7	**29,532**	35,727
Investments in an associate		**1,070**	–
Deferred income tax assets	16	**132,111**	138,842
Prepayments and other receivables	10	**24,195**	23,685
		570,492	612,864
Current assets			
Inventories	8	**337,879**	371,631
Trade and note receivables	9	**496,370**	563,744
Prepayments and other receivables	10	**240,805**	248,532
Restricted bank deposits		**27,894**	17,619
Cash and cash equivalents		**126,354**	245,903
		1,229,302	1,447,429
Total assets		**1,799,794**	2,060,293
EQUITY			
Equity attributable to the Company's equity owners			
Share capital	11	**974**	974
Share premium		**591,651**	591,651
Other reserves	12	**341,850**	333,874
Currency translation differences		**(426,994)**	(403,382)
Retained earnings		**356,959**	392,184
		864,440	915,301
Non-controlling interests		**95,413**	97,033
Total equity		**959,853**	1,012,334

Interim Condensed Consolidated Balance Sheet

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	**30 June 2017** ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
LIABILITIES			
Non-Current liabilities			
Borrowings	13	**99,763**	103,093
Deferred income tax liabilities	16	**21,513**	22,141
		121,276	125,234
Current liabilities			
Borrowings	13	**132,509**	263,687
Trade payables	14	**413,607**	492,923
Accruals and other payables	15	**117,358**	110,089
Current income tax liabilities		**39,909**	40,522
Current portion of long-term borrowings	13	**15,282**	15,504
		718,665	922,725
Total liabilities		**839,941**	1,047,959
Total equity and liabilities		**1,799,794**	2,060,293

Wang Guoqiang
Director

Ethan Wu
Director

The notes on page 35 to 62 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

		Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
	Note	**Unaudited**	Unaudited
Revenue		**418,755**	400,622
Other gains/(losses), net		**35,042**	(9,008)
Operating costs			
Material costs		**(104,580)**	(71,298)
Employee benefit expenses	17	**(165,517)**	(177,216)
Operating lease expenses		**(34,848)**	(26,285)
Transportation costs		**(6,193)**	(9,411)
Depreciation and amortisation		**(45,897)**	(55,982)
Technical service expenses		**(31,643)**	(30,228)
Impairment loss of assets		**(17,671)**	(10,762)
Others		**(56,363)**	(54,424)
		(462,712)	(435,606)
Operating loss	18	**(8,915)**	(43,992)
Finance income		**40**	273
Finance costs		**(15,262)**	(15,986)
Finance costs, net	19	**(15,222)**	(15,713)
Share of post-tax result of an associate		**–**	(898)
Loss before income tax		**(24,137)**	(60,603)
Income tax (expense)/credit	20	**(15,842)**	261
Loss for the period		**(39,979)**	(60,342)
Loss attributable to:			
Equity owners of the Company		**(35,001)**	(54,191)
Non-controlling interests		**(4,978)**	(6,151)
		(39,979)	(60,342)
Loss per share for the loss attributable to the equity owners of the Company			
Basic loss per share	22	**(0.0228)**	(0.0353)
Diluted loss per share	22	**(0.0228)**	(0.0353)

The notes on page 35 to 62 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		Unaudited	Unaudited
Loss for the period		**(39,979)**	(60,342)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		**(14,387)**	12,546
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(9,140)**	12,311
Total comprehensive income for the period		**(63,506)**	(35,485)
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**(58,613)**	(29,343)
Non-controlling interests		**(4,893)**	(6,142)
		(63,506)	(35,485)

The notes on page 35 to 62 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

		Unaudited							
		Equity attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Currency translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017		974	591,651	333,874	(403,382)	392,184	915,301	97,033	1,012,334
Comprehensive income									
Loss for the period		–	–	–	–	(35,001)	(35,001)	(4,978)	(39,979)
Currency translation differences		–	–	–	(23,612)	–	(23,612)	85	(23,527)
Total comprehensive loss		–	–	–	(23,612)	(35,001)	(58,613)	(4,893)	(63,506)
Transactions with owners									
Share-based payments	17	–	–	7,752	–	–	7,752	–	7,752
Capital injection of subsidiaries		–	–	–	–	–	–	3,273	3,273
Transfer to statutory reserves		–	–	224	–	(224)	–	–	–
Total transactions with owners		–	–	7,976	–	(224)	7,752	3,273	11,025
Balance as at 30 June 2017		974	591,651	341,850	(426,994)	356,959	864,440	95,413	959,853

		Unaudited							
		Equity attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Currency translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2016		974	591,651	327,276	(477,136)	684,530	1,127,295	119,968	1,247,263
Comprehensive income									
Loss for the period		–	–	–	–	(54,191)	(54,191)	(6,151)	(60,342)
Currency translation differences		–	–	–	24,848	–	24,848	9	24,857
Total comprehensive loss		–	–	–	24,848	(54,191)	(29,343)	(6,142)	(35,485)
Transactions with owners									
Share-based payments	17	–	–	4,472	–	–	4,472	–	4,472
Total transactions with owners		–	–	4,472	–	–	4,472	–	4,472
Balance as at 30 June 2016		974	591,651	331,748	(452,288)	630,339	1,102,424	113,826	1,216,250

The notes on page 35 to 62 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from/(used in) operations	**55,487**	(27,077)
Interest paid	**(11,673)**	(16,383)
Interest received	**40**	273
Income tax paid	**(5,811)**	(6,380)
Net cash generated from/(used in) operating activities	**38,043**	(49,567)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(9,294)**	(7,621)
Proceeds from disposal of property, plant and equipment	**60**	68
Purchases of intangible assets	**(359)**	(4,922)
Investment in an associate	**(1,070)**	(2,500)
Increase in restricted bank deposits	**(10,275)**	(10,195)
Net cash used in investing activities	**(20,938)**	(25,170)
Cash flows from financing activities		
Proceeds from borrowings	**118,599**	161,243
Repayments of borrowings	**(257,095)**	(223,722)
Contributions from minority shareholders	**3,273**	–
Net cash used in from financing activities	**(135,223)**	(62,479)
Net decrease in cash and cash equivalents	**(118,118)**	(137,216)
Cash and cash equivalents, at beginning of the period	**245,903**	344,855
Exchange (losses)/gains on cash and cash equivalents	**(1,431)**	3,680
Cash and cash equivalents at end of the period	**126,354**	211,319

The notes on page 35 to 62 form an integral part of this 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 P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 23 December 2011 through a 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"), the Republic of Kazakhstan ("Kazakhstan"), Singapore and Canada. The ultimate controlling party of the Company is Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (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 24 August 2017.

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 2017 has been prepared in accordance with International Accounting Standard ("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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the entity

(i) IFRS 9 Financial instrument

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

- A FVOCI election is available for the equity instruments which are currently classified as AFS.

- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under IFRS 9.

- Debt instruments currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under IFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the entity (continued)

(i) IFRS 9 Financial instrument (continued)

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group is in the process of making an assessment of the impact of this new standard.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the entity (continued)

(iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB62,880,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, management does not intend to adopt the standard before its effective date.

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 condensed consolidated interim 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 2016.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The interim condensed consolidated financial information do 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 2016.

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

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows 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.

5.3 Credit risk

The Group has concentrations of credit risk. PetroChina Company Limited ("PetroChina"), a PRC state owned enterprise with high credit rating, along with its related entities, accounted for approximately 61.25% and 77.40% of the Group's revenue for the six months ended 30 June 2017 and 2016, 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 less provision for impairment of trade and notes receivables, other receivables, cash and cash equivalents, restricted cash and term deposits and financial liabilities including trade and notes payables, other payables and short-term borrowings are assumed to approximately their fair values. The carrying amounts of long-term bonds approximate their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

(Amounts expressed in thousands of RMB unless otherwise stated)

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.

(a) Revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**147,223**	115,099
Well completion	**50,936**	58,367
Reservoir	**220,596**	227,156
	418,755	400,622

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, finance income, finance costs and certain unallocated expenses ("EBITDA").

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

(i) The segment information on EBITDA is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA		
Drilling	**24,893**	26,861
Well completion	**(21,812)**	(15,367)
Reservoir	**55,637**	66,309
	58,718	77,803

(ii) The segment information on total assets is as follows:

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Total assets		
Drilling	**405,400**	392,688
Well completion	**601,888**	644,831
Reservoir	**387,689**	481,416
	1,394,977	1,518,935

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA for reportable segments	**58,718**	77,803
Unallocated expenses		
– Share-based payments *(Note 17)*	**(7,752)**	(4,472)
– Other gains/(losses), net	**35,042**	(9,008)
– Unallocated overhead expenses	**(49,026)**	(53,231)
	(21,736)	(66,711)
	36,982	11,092
Depreciation and amortisation	**(45,897)**	(55,982)
Finance costs	**(15,262)**	(15,986)
Finance income	**40**	273
Loss before income tax	**(24,137)**	(60,603)

(Amounts expressed in thousands of RMB unless otherwise stated)

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 2017 *RMB'000* **Unaudited**	31 December 2016 *RMB'000* Audited
Segment assets for reportable segments	**1,394,977**	1,518,935
Unallocated assets		
– Deferred income tax assets	**132,111**	138,842
– Unallocated inventories	**8,314**	15,579
– Unallocated prepayments and other receivables	**109,074**	123,415
– Restricted bank deposits	**27,894**	17,619
– Cash and cash equivalents	**126,354**	245,903
– Investments in an associate	**1,070**	–
	404,817	541,358
Total assets per balance sheet	**1,799,794**	2,060,293

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

The following table shows revenue by geographical segment according to the service location of the entities in the Group:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
PRC	**210,642**	228,118
Kazakhstan	**124,392**	88,218
Canada	**27,259**	21,208
Turkmenistan	**25,140**	30,425
Indonesia	**16,346**	12,764
Middle East	**14,297**	19,152
Others	**679**	737
	418,755	400,622

(Amounts expressed in thousands of RMB unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment (continued)

The following table shows the non-current assets other than financial assets and deferred income tax assets by geographical segment according to the service location of the entities in the Group:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current assets (other than deferred income tax assets)		
PRC	**269,845**	290,308
Kazakhstan	**84,666**	91,746
Turkmenistan	**27,895**	30,237
Canada	**15,490**	17,500
Indonesia	**12,317**	14,117
Middle East	**6**	8
Others	**28,162**	30,106
	438,381	474,022

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	Property, plant and equipment *RMB'000*	Land use right *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 2017 (Unaudited)			
Net book value			
Opening amount as at 1 January 2017	**392,852**	**21,758**	**35,727**
Additions	**9,295**	**–**	**359**
Depreciation and amortisation	**(39,102)**	**(241)**	**(6,554)**
Disposals	**(1,221)**	**–**	**–**
Exchange differences	**243**	**–**	**–**
Closing amount as at 30 June 2017	**362,067**	**21,517**	**29,532**
Six months ended 30 June 2016 (Unaudited)			
Net book value			
Opening amount as at 1 January 2016	535,343	22,241	58,417
Additions	45,715	–	4,922
Depreciation and amortisation	(46,745)	(241)	(8,996)
Disposals	(6,492)	–	(3)
Exchange differences	2,541	–	1,606
Closing amount as at 30 June 2016	530,362	22,000	55,946

Certain property, plant and equipment and land use rights have been pledged for the Group's bank borrowings, details of which have been set out in Note 13(c).

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVENTORIES

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Project materials and consumables	**370,448**	420,373
Project-in-progress	**33,658**	20,737
	404,106	441,110
Less: provision for impairment	**(66,227)**	(69,479)
	337,879	371,631

9. TRADE AND NOTE RECEIVABLES

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Trade receivables	**566,280**	621,847
Less: impairment of trade receivables	**(90,287)**	(84,198)
Trade receivables – net	**475,993**	537,649
Note receivables	**20,377**	26,095
	496,370	563,744

(Amounts expressed in thousands of RMB unless otherwise stated)

9. TRADE AND NOTE RECEIVABLES (CONTINUED)

(a) Most of the trade receivables are with the expected credit term of six months, except for retention money amounting to approximately RMB22,040,000 (31 December 2016: RMB16,277,000).

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**280,976**	366,131
6 months – 1 year	**99,695**	67,962
1 – 2 years	**50,832**	76,529
2 – 3 years	**72,027**	59,445
Over 3 years	**83,127**	77,875
Trade receivables, gross	**586,657**	647,942
Less: impairment of trade receivables	**(90,287)**	(84,198)
Trade receivables, net	**496,370**	563,744

(b) Certain trade receivables have been pledged for the Group's bank borrowings, details of which have been set out in Note 13(c).

(Amounts expressed in thousands of RMB unless otherwise stated)

10. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Current		
Advances to suppliers	**71,519**	66,893
Prepayment for taxes	**40,730**	43,370
Total non-financial assets	**112,249**	110,263
Deposits and other receivables	**49,775**	61,461
Receivable relating to disposal of certain equipment	**84,401**	84,401
Less: impairment of other receivables	**(5,620)**	(7,593)
Total financial assets	**128,556**	138,269
	240,805	248,532
Non-current		
Advances to suppliers (Non-financial assets)	**6,708**	6,708
Prepayment for operating lease (Non-financial assets) (a)	**17,487**	16,977
	24,195	23,685
Total	**265,000**	272,217

(a) Certain non-current prepayments have been pledged for the Group's bank borrowings, details of which have been set out in Note 13(c).

(Amounts expressed in thousands of RMB unless otherwise stated)

11. SHARE CAPITAL

	Number of share *(Thousands)*	Value *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each as at 30 June 2017 and 31 December 2016	2,000,000	1,295
Issued shares:		
As at 31 December 2016 and 30 June 2017	1,534,790	974

12. OTHER RESERVES

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Merger reserves	**(148,895)**	(148,895)
Equity component of convertible bonds	**61,150**	61,150
Share-based payments (a)	**166,681**	158,929
Statutory reserves	**53,992**	53,768
Capital reserves	**208,922**	208,922
	341,850	333,874

(a) Pursuant to the share option scheme, the Company granted on 20 February 2012 a total of 26,500,000 share options to certain directors and employees to subscribe for 26,500,000 ordinary shares of USD0.0001 each at an exercise price of HKD1.292. On 29 March 2012, another 7,300,000 share options were granted by the Company to certain directors and employees to subscribe for 7,300,000 ordinary shares of USD0.0001 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 certain directors and employees to subscribe for 67,450,000 ordinary shares of USD0.0001 each at an exercise price of HKD4.694. On 31 August 2016, another 130,000,000 share options were granted by the Company to certain directors and employees to subscribe for 130,000,000 ordinary shares of USD0.0001 each at an exercise price of HKD0.49. 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

12. OTHER RESERVES (CONTINUED)

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

	Six months ended 30 June			
	2017		2016	
	Average exercise price per share options *HKD*	**Number of share options** ***(Thousands)*** **Unaudited**	Average exercise price per share options *HKD*	Number of share options *(Thousands)* Unaudited
As at 1 January	**1.64**	**195,413**	3.94	73,420
Forfeited	**3.54**	**(2,249)**	4.37	(2,151)
As at 30 June	**1.62**	**193,164**	3.92	71,269

13. BORROWINGS

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Non-current:		
Secured bank borrowings (c)	**6,197**	6,159
Finance lease payable	**6,496**	13,468
Unsecured liability component of convertible bonds (b)	**87,070**	83,466
	99,763	103,093
Current:		
Short-term borrowings		
– Secured bank borrowings (c)	**84,799**	101,027
– Unsecured bank borrowings	**–**	60,000
Short-term entrusted loan	**30,000**	70,000
Short-term borrowings from certain individuals	**17,710**	32,660
	132,509	263,687
Current portion of long-term bank borrowings:		
Secured bank borrowings (c)	**766**	988
Finance lease payable	**14,516**	14,516
	15,282	15,504
Total borrowings	**247,554**	382,284

(Amounts expressed in thousands of RMB unless otherwise stated)

13. BORROWINGS (CONTINUED)

Note:

(a) Movement of borrowings

	Six months ended 30 June 2017 ***RMB'000*** **Unaudited**
As at 1 January 2017	**382,284**
Proceeds of new borrowings	**118,599**
Repayments of borrowings	**(257,095)**
Convertible bonds – liability component	**3,604**
Currency translation difference	**162**
As at 30 June 2017	**247,554**

	Six months ended 30 June 2016 *RMB'000* Unaudited
As at 1 January 2016	373,914
Proceeds of new borrowings	161,243
Repayments of borrowings	(223,722)
Convertible bonds – liability component	6,968
Currency translation difference	(651)
As at 30 June 2016	317,752

(Amounts expressed in thousands of RMB unless otherwise stated)

13. BORROWINGS (CONTINUED)

Note: (continued)

(b) Movement of liability component of convertible bonds

On 20 August 2012, the Company issued USD15,000,000 unsecured and non-redeemable convertible bonds with a coupon rate of 3% per annum (the "Bonds") to certain independent parties (the "Bondholders"). The Bonds mature three years from the issue date at their nominal value of USD15,000,000 or can be converted into shares at a conversion price of HKD1.65 (subject to adjustments) per share. 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 Bondholders 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 derecognised and replaced by the fair value of the new Bonds.

After that, the conversion price had been amended for two times triggered by certain term of the convertible bonds agreement and the latest conversion price was HKD1.60 per share before the second amendment deed was made.

On 12 June 2015, the Company and the Bondholders entered into a second amendment deed pursuant to which the maturity date was amended to the date falling on the sixth anniversary of the issue date of the original convertible bonds issued on 20 August 2012. In addition, the conversion price was amended to HKD1.69. As such, the original convertible bonds were derecognized whilst the new convertible bonds were recognized.

The Bonds recognised in the balance sheet was calculated as follows:

	Six months ended 30 June 2017 *RMB'000* **Unaudited**
Liability component as at 31 December 2016	**83,466**
Add: Interest expense	**7,171**
Less: Interest paid and payable	**(1,512)**
Less: Currency translation difference	**(2,055)**
Liability component as at 30 June	**87,070**

(Amounts expressed in thousands of RMB unless otherwise stated)

13. BORROWINGS (CONTINUED)

Note: (continued)

(b) Movement of liability component of convertible bonds (continued)

	Six months ended 30 June 2016 *RMB'000* Unaudited
Liability component as at 31 December 2015	67,662
Add: Interest expense	5,997
Less: Interest paid and payable	(1,492)
Less: Currency translation difference	2,463
Liability component as at 30 June	74,630

The carrying amount of the new liability component was calculated using cash flow discounted at a rate of 17.35%.

(c) The collaterals of the Group's secured bank borrowings are as follows.

	30 June 2017 ***RMB'000*** **Unaudited**	31 December 2016 *RMB'000* Audited
Long-term bank borrowings		
Secured by:		
– Property, plant and equipment *(Note 7)*	**74**	141
– Long-term prepayments *(Note 10)*	**16,248**	16,977
	16,322	17,118
Short-term bank borrowings		
Secured by:		
– Trade and note receivables *(Note 9)*	**39,799**	56,027
– Land use rights *(Note 7)*	**21,517**	21,758
– Restricted bank deposits	**1,500**	1,500
	62,816	79,285

(Amounts expressed in thousands of RMB unless otherwise stated)

14. TRADE PAYABLES

	30 June 2017 *RMB'000* Unaudited	31 December 2016 *RMB'000* Audited
Up to 6 months	**128,843**	209,606
6 months to 1 year	**66,345**	66,274
1 – 2 years	**72,166**	100,124
2 – 3 years	**110,752**	89,033
Over 3 years	**35,501**	27,886
	413,607	492,923

15. ACCRUALS AND OTHER PAYABLES

	30 June 2017 *RMB'000* Unaudited	31 December 2016 *RMB'000* Audited
Interest payable	**6,833**	4,742
Rental payable	**1,688**	4,470
Others	**25,000**	20,620
Total financial liabilities	**33,521**	29,832
Customer deposits and receipts in advance	**8,080**	4,134
Payroll and welfare payable	**43,563**	43,347
Taxes other than income tax payable	**32,194**	32,776
Total non-financial liabilities	**83,837**	80,257
	117,358	110,089

(Amounts expressed in thousands of RMB unless otherwise stated)

16. DEFERRED TAXATION

The movement in deferred income tax assets and liabilities during the six months ended 2017 and 2016, without taking into consideration offsetting the balances with the same tax jurisdiction, is as follow:

Deferred tax assets

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**138,842**	137,609
Credited to income statement *(Note 20)*	**(6,694)**	(423)
Currency translation difference	**(37)**	1,446
Closing balance at 30 June	**132,111**	138,632

Deferred tax liabilities

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**22,141**	23,500
Credited to income statement *(Note 20)*	**(652)**	(1,114)
Currency translation difference	**24**	399
Closing balance at 30 June	**21,513**	22,785

(Amounts expressed in thousands of RMB unless otherwise stated)

17. EMPLOYEE BENEFITS EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Wages, salaries and allowances	**134,952**	146,295
Housing benefits	**5,310**	5,611
Pension costs	**14,113**	14,624
Share-based payments	**7,752**	4,472
Welfare and other expenses	**3,390**	6,214
	165,517	177,216

18. EXPENSE BY NATURE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Losses on disposal of property, plant and equipment	**1,161**	2,763
Sales tax and surcharges	**1,807**	2,034
Depreciation	**39,102**	46,745
Amortisation of land use right and intangible assets	**6,795**	9,237

(Amounts expressed in thousands of RMB unless otherwise stated)

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**40**	273
Finance income	**40**	273
Net foreign exchange losses on financing activities	**(334)**	(47)
Interest expense:		
– Bank borrowings	**(6,593)**	(8,316)
– Liability component of convertible bonds	**(7,171)**	(5,997)
– Bank charges	**(1,164)**	(1,626)
Total finance expenses	**(15,262)**	(15,986)
Net finance expenses	**(15,222)**	(15,713)

(Amounts expressed in thousands of RMB unless otherwise stated)

20. INCOME TAX EXPENSE/(CREDIT)

The Group operates mainly in the PRC, Kazakhstan, Singapore, Canada, Indonesia, Russia and the United Arab Emirates. During the six months ended 30 June 2017, the Company expected the profit before tax in these countries was subject to the statutory income tax rate of 25%, 20%, 10%, 25%, 25%, 30% and 0% 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 June 2017, certain subsidiaries established in the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC	**1,409**	430
– Kazakhstan	**5,868**	–
– Others	**2,523**	–
Deferred income tax	**6,042**	(691)
Income tax expense/(credit)	**15,842**	(261)

21. DIVIDEND

The Board did not propose interim dividend for the six months ended 30 June 2017 (2016: nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

22. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss 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	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Loss attributable to equity owners of the Company	**(35,001)**	(54,191)
Weighted average number of ordinary shares in issue (thousands)	**1,534,790**	1,534,790
Basic losses per share (RMB per share)	**(0.0228)**	(0.0353)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. Both of these two elements are anti-dilutive and accordingly the dilutive loss per share is the same as basic loss per share.

(Amounts expressed in thousands of RMB unless otherwise stated)

23. COMMITMENT

(a) Capital commitments

There are no capital expenditures contracted for at the end of the period.

(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 2017	31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
No later than 1 year	**11,077**	8,659
Later than 1 year and no later than 5 years	**24,317**	25,116
Later than 5 years	**27,486**	35,256
	62,880	69,031

(Amounts expressed in thousands of RMB unless otherwise stated)

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	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Salaries and other short-term benefits	**2,718**	1,898
Share-based payments	**590**	494
Retirement benefits and others	**442**	112
	3,750	2,504