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

2019
Interim Report

CONTENTS

Corporate Information

THE BOARD

Executive Directors

Mr. Wang Guoqiang *(Chairman)*
Mr. Ethan Wu *(Chief Executive Officer)*
Mr. Li Qiang
Mr. Wu Jiwei *(Note 1)*

Non-Executive Director

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

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The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

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Jia No. 8 Hongjunying East Road
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PRC
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Note:

1. Mr. Wu Jiwei has been appointed as an executive director of the Company by the board of directors of the Company, with effect from 26 March 2019.

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

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

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 2019 (the "Period"), affected by the changes in market demand and supply and geopolitical factors, international oil prices revealed a general trend of wide fluctuations with an initial increase followed by a downward trend. The improvement of fundamentals led to continuously steady growth of investment in oil and gas exploration and development. As a result, the oil-field service workload also sustained the growth trend of last year. In particular, major oil companies in China recorded greater year-on-year growth in overall investments in exploration and development, which drove the rapid growth of the Company's business in the PRC. However, the overall oil-field service industry remained under pressure due to the fluctuating international oil prices. Uncertainties including the slowdown in global economy could result in a decline in demand for crude oil. As the exploration of renewable energy was expedited, market competition was fierce. All these have made oil-field service companies eager to innovate and reform continuously.

During the Period, SPT Energy Group Inc. (the "Company") and its subsidiaries (the "Group") continued to implement the business strategy of cost reduction, efficiency enhancement and seeking change amid steady growth. While actively adjusting the strategic layout and stepping up market expansion efforts, the Group's business volume and output value grew steadily. Details of the measures are as follows:

First, the Group closely followed the national strategy, optimised the industry layout and integrated manpower and materials resources. While deeply developing the non-conventional oil and gas development projects including the shale gas project in Sichuan and Chongqing and the shale oil project in Xinjiang, the Group consolidated the conventional oil and gas business in the Central Asia region and expanded into new regions of the overseas markets including Africa to gradually expand the market share in various regions.

Second, the Group strengthened the horizontal cooperation and laid out the smart oilfields. The joint venture established by the Group and Xinjiang Energy (Group) Petroleum & Natural Gas Co., Ltd. officially commenced operation and obtained initial order volume. Looking ahead, the joint venture will devote more resources to develop the integrated turnkey business. The long-term strategic partnership between the Group and Halliburton China Company was further enhanced where the area of cooperation between the parties continued to expand to include well completion tools, horizontal well drilling, optic fibre monitoring, high temperature logging, rotary geosteering etc. The Group and The Fourth Paradigm (Beijing) Technology Co., Ltd. entered into a letter of intent for strategic cooperation to integrate traditional oil-field service technology with emerging technologies such as artificial intelligence, big data to jointly develop smart oilfield business. Currently, both parties have commenced cooperation in Xinjiang regions to push ahead the intelligent construction of local oil and gas fields.

Third, the Group accelerated the internal management efficiency and optimised the training system and talent team development to build an efficient and professional management team.

Based on the foregoing, benefiting from the increase in market demand for oil-field service, increase in the order volume of the Group and the enhancement in operating efficiency, the Group recorded a fairly substantial growth in results in the first half of 2019 as compared with that for the corresponding period of last year, which laid a solid foundation for the Group's development in the second half of the year.

REVENUE ANALYSIS

During the Period, the Group's revenue amounted to RMB754.7 million, representing an increase of RMB214.1 million or 39.6% over the previous year. The analysis of the Group's revenue by business segment is as follows:

Revenue	For the six months ended 30 June 2019 RMB'000	2018 RMB'000	Change (%)
Reservoir	**246,172**	227,556	8.2%
Drilling	**312,219**	221,768	40.8%
Well Completion	**196,356**	91,238	115.2%
Total	**754,747**	540,562	39.6%

For the six months ended 30 June 2019, international oil prices revealed a general trend of wide fluctuations with an initial increase followed by a downward trend and attaining a considerable increase since the end of last year. Benefiting from the supporting policies for shale gas development, the investments in exploration and development made by various major oil companies in China increased substantially as compared with the corresponding period of last year. Accordingly, business volume of oil-field service companies gradually increased.

In view of this, on the one hand, the Group continued to consolidate the business in existing regions, followed closely the customer demand and endeavoured to explore the potential of existing markets. On the other hand, the Group actively optimised the strategic layout and expanded into new businesses and new growth points of the Group. During the first half of 2019, revenue of the Group grew by RMB214.1 million or 39.6% as compared with that in the same period of last year. Among which, revenue from reservoir service segment as a percentage of total revenue was 32.6%, up by RMB18.6 million or 8.2% as compared with that in the same period of last year; revenue from drilling service segment as a percentage of total revenue was 41.4%, up by RMB90.5 million or 40.8% as compared with that in the same period of last year; and revenue from well completion segment as a percentage of total revenue was 26.0%, up by RMB105.1 million or 115.2% as compared with that in the same period of last year. Overall speaking, during the Period, the substantial growth of revenue from drilling service segment and well completion segment contributed to the increase in total revenue.

RESERVOIR SERVICE SEGMENT

Revenue from reservoir services	For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*	Change *(%)*
PRC	**137,233**	109,568	25.2%
Overseas	**108,939**	117,988	-7.7%
Total	**246,172**	227,556	8.2%

The reservoir service segment of the Group provides geology research and oil reservoir research services, dynamic monitoring service, oil testing service, oil recovery technology service, coiled tubing service, repair service of surface production devices, etc.

During the Period, the Group's reservoir service business grew steadily and recorded revenue of RMB246.2 million, up by RMB18.6 million or 8.2% as compared with that in the same period of last year. As to the PRC market, the Group continued to consolidate and expand market share. During the Period, reservoir service revenue from the PRC market amounted to RMB137.2 million, up by RMB27.7 million or 25.2% as compared with that in the same period of last year. As to the overseas markets, reservoir service revenue during the Period decreased in general to RMB108.9 million, down by RMB9.0 million or 7.7% as compared with that in the same period of last year.

DRILLING SERVICE SEGMENT

Revenue from drilling services	For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*	Change *(%)*
PRC	**190,877**	155,438	22.8%
Overseas	**121,342**	66,330	82.9%
Total	**312,219**	221,768	40.8%

The drilling services of the Group include drilling rig service, workover rig service, complex well workover and fishing service, rotary geosteering technology service, vertical drilling technology service, horizontal drilling technology service, side tracking technology service, underbalanced drilling technology service, fine managed pressure drilling technology service, cementing services, drilling fluid services, etc.

During the Period, revenue from drilling services segment amounted to RMB312.2 million, up by RMB90.5 million or 40.8% as compared with that in the same period of last year. During the Period, drilling revenue from the PRC market amounted to RMB190.9 million, representing an increase of RMB35.5 million or 22.8% as compared with that in the same period of last year; whereas drilling revenue from the overseas markets amounted to RMB121.3 million, representing a significant increase of RMB55.0 million or 82.9% as compared with that in the same period of last year. The growth of revenue from drilling services segment from the PRC and overseas markets was mainly benefited from the substantial business growth of Sichuan's shale gas market, Xinjiang's market and Turkmenistan's market.

WELL COMPLETION SERVICE SEGMENT

	For the six months ended 30 June		
Revenue from well completion services	**2019**	2018	Change
	RMB'000	*RMB'000*	*(%)*
PRC	**139,920**	57,076	145.1%
Overseas	**56,436**	34,162	65.2%
Total	**196,356**	91,238	115.2%

The Group provides comprehensive well completion tools, products and service to customers, including well completion project design, well completion tools trading as well as stimulation and fracturing service.

During the Period, revenue from well completion segment amounted to RMB196.3 million, up by RMB105.1 million or 115.2% as compared with that in the same period of last year, mainly benefiting from the substantial growth of the well completion business in the PRC market. Among which, the Group's well completion revenue from the PRC market amounted to RMB139.9 million, accounting for 71.3% of the total revenue from well completion segment and up by RMB82.8 million or 145.1% as compared with that in the same period of last year. The growth mainly benefited from the growth of well completion business in Xinjiang's Tarim oilfield. In addition, well completion revenue from the overseas markets amounted to RMB56.4 million, accounting for 28.7% of the total revenue from well completion segment and increased by RMB22.3 million or 65.2% as compared with that in the same period of last year. Among which, well completion revenue from Turkmenistan and Indonesia recorded substantial growth.

MARKET ENVIRONMENT

During the Period, international oil prices rebounded as a whole from the end of last year. Yet, uncertainties still remain. In the first quarter of 2019, future prices of Brent crude oil and West Texas Intermediate light sweet crude oil fluctuated mildly upwards. Until April 2019, both the oil inventory and output in the U.S. saw a substantial increase. The oil prices fell immediately at the end of May 2019 before picking up slightly in June 2019.

The Group noted that the international oil price trend during the Period was mainly due to the combined effects of the ongoing output reduction agreement of the Organization of Petroleum Exporting Countries and other oil producing countries, changes in the US crude oil supply, global trade conditions and US dollar trend as well as geopolitical factors.

Over the past few years, the declining oil price has led to capacity adjustment and industry integration of the oil and gas industry. After a few years of correction, the oil-field service industry began to pick up again. In the second half of 2019, the above factors will continue to affect the international oil prices. It is expected that the international oil prices will remain under pressure.

Overseas Markets

The Group's overseas business is mainly located in the Central Asia area (such as Kazakhstan and Turkmenistan), Indonesia, Singapore, the Middle East and Canada area. During the Period, the Group took proactive measures and further consolidated and expanded the operations in the overseas markets. Among which, the revenue from Kazakhstan amounted to RMB139.5 million, representing 48.7% of the revenue from the overseas markets of the Group. Accordingly, Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. In addition, the revenue from Turkmenistan amounted to RMB78.3 million, representing an increase of RMB48.3 million or 161.0% as compared with that in the same period of last year. The Group successively won the tender for the fracturing acidising project and a number of workover projects in Kazakhstan; obtained the drilling tool trading project, natural gas compressor maintenance project, etc. in Turkmenistan; made new breakthrough in the well completion tool market and secured a large-sum order in Indonesia; secured orders of workover rig service in the Middle East Market and maintained growth in the drilling business; and the expansion of other overseas markets including Africa was well underway.

PRC Market

During the Period, in view of the tightening global trade conditions, in order to strengthen energy security, National Energy Administration mentioned in the "Seven-Year Action Plan 2019-2025" to provide policy protection on stepping up oil and gas exploration and development efforts in China. Under this background, reserve expansion and capacity increase would become the main mission of various major oil companies in the coming years, and the oil and gas exploration and development in China would escalate accordingly. Based on the statistics of National Energy Administration, in the first half of 2019, crude oil output across China was 95.4 million tonnes, up by 0.8% year-on-year, which represented a turnaround from the falling trend in the past three years; whereas natural gas output was 86.41 billion cubic metres, up by 10.3% year-on-year.

Overall speaking, the performance of the oil-field service industry will continue to pick up with increasing workload. Coupled with subsequent improvement in industry capacity utilisation, it is expected that the profitability of the oil-field service industry will increase.

During the Period, the Group closely followed the market dynamics in China and sought market opportunities to consolidate its services with traditional strengths while devoting more resources to expand the non-conventional oil and gas drilling and well completion turnkey business.

1. Projects enjoying comparative advantages in the traditional regions were consolidated. The Group acquired a new 5,000-metre drilling machine to kick off the drilling and workover business in the Xinjiang region and successively won a number of turnkey technology service contracts for drilling and well completion fluid. In the first half of the year, gross orders newly secured exceeded RMB80 million. Leverage on its leading performance and service capability in completion for gas storage, the Group obtained the contract for the sales of completion for gas storage tools in Hutubi, Xinjiang. At the same time, in Xinjiang, the Group obtained the service contract for fracturing equipment worth approximately RMB50 million.

2. In Sichuan and Chongqing, the Group obtained a new contract worth RMB200 million for drilling turnkey service in Changning. At the same time, the Group entered into contracts with respect to the special process technique of shale gas horizontal well drilling including horizontal well rotary steering tools and service, screw and water oscillator. In addition, the Group won the tender for drilling and workover engineering turnkey project in relation to the highly concentrated carbon dioxide capture and geological storage in Inner Mongolia with a contract amount exceeding RMB30 million.

RESEARCH AND DEVELOPMENT (“R&D”) AND MANUFACTURING

During the Period, the major R&D efforts of the Group centred on enhancing the process technique of oil and gas reservoir recovery and strengthening the development of oil reservoir services and oil extraction process technique capabilities. At the same time, it centred around the new process technique of reservoir reformation of non-conventional oil and gas fields to expand the market share of fracturing business. Through continuous technology incubation and innovation, the Group actively adjusted the technological structure to strengthen the competitiveness of the Group’s core technologies.

During the Period, the matching process technique of profile control and water shutoff was widely applied in an oilfield in Kazakhstan. The stimulation results were good and received high recognition from customers. Accordingly, the Group also secured operation contracts with respect to a number of wells which provided full guarantee for its subsequent workload. The compressor dewatering gas recovery technology was successfully applied in the Tarim region, Xinjiang. Currently, the project is running smoothly and has successfully solved the problem of water invading into the well, thus laying a foundation for subsequent mass application. The well integration evaluation technology is applied in the South Sea region with high detection accuracy and good evaluation results, thus providing favourable assurance to the platform’s conventional application. In addition, high-temperature and high-pressure (pressure-volume-temperature) sampling technology, fracturing flowback fluid matching technology and online moisture ratio testing technology have also undergone field tests and will commence project launch soon, thus creating considerable industrial value.

The Group's technology team carried out integration, R&D and incubation of the rotary geosteering technology, optic fibre monitoring technology, HyperLCasing leakproof plugging process technology, well integration evaluation technology, smart oilfield related technology, water control and stimulation technology, etc. Several exchanges with customers in various regional markets were conducted with sound feedbacks. In the second half of 2019, the Group will focus its resources on promoting these technologies for greater market prospects.

HUMAN RESOURCES

Based on the Group's five-year strategic plans and business objectives for 2019, the Group focused on building four major enhancement systems in the area of human resources:

1. Building a cultural enhancement system with consistent goal: The Group's five core values, namely, cultural identity, integrity, consistent goals, efficient execution and determined reform, were continuously promoted and implemented to form a cultural system with consistent goal.

2. Building an empowered organisational reform and enhancement system: In the first half of 2019, the Group continued to optimise its organisational structure, devoting its organisational resources to the frontline area and achieved flat operations to enhance efficiency. At the same time, the Group further integrated the advantageous resources of business entities including various regional markets, operations and management, which laid a solid foundation for the rapid development of the Group.

3. Creating capability building and efficiency enhancement system: Capacity building and efficiency enhancement were important tasks in the area of human resources of the Group. The focus was on the continuous introduction of external talents to rapidly improve the overall level of development of the Group. On the other hand, it aimed to build a global training centre to build an internal capability system.

   To this end, in the first half of 2019, the Group organised and implemented multi-level and multi-content training events on employee cohesion and fundamental management as well as technical training. Through the above training, the Group deepened the cultural identity of employees, tapped into potentials and enhanced the existing employee capabilities. At the same time, the Group continued to optimise processes and optimise the authorisation of human resources in an effort to improve internal organisational efficiency.

4. Building a comprehensive incentive and performance enhancement system: In the first half of 2019, the Group systematically promoted the building of a comprehensive incentive system, and quickly established a three-dimensional incentive mechanism covering the organisational performance incentive system, employee performance incentive system and special incentive system. The establishment of the three major incentive systems stimulated the potential and vitality of organisations and individuals, and greatly promoted the overall competitiveness of the Group.

The actual costs of the Group's human resources for the first half of 2019 were controlled within the budget amount set at the beginning of the year. As at 30 June 2019, the Group had a total of 3,839 employees, up by 214 employees from 3,625 employees as at 31 December 2018.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, revenue of the Group was RMB754.7 million, representing an increase of RMB214.1 million, or 39.6% from RMB540.6 million for the comparative period of last year. The increase in revenue was mainly due to the continuing growth of the overall business volume of the Group.

Other gains/(losses), net

For the six months ended 30 June 2019, other gains, net of the Group were RMB3.4 million, as compared with other losses, net of RMB5.3 million for the comparative period of last year. The net gains were mainly due to exchange gain in USD denominated assets held by the PRC subsidiaries as a result of weakening of RMB against USD.

Material costs

For the six months ended 30 June 2019, material costs of the Group amounted to RMB179.2 million, representing an increase of RMB50.0 million, or 38.7% from RMB129.2 million for the comparative period of last year. The increase in material costs was mainly due to the growth in business volume of the Group.

Employee benefit expenses

For the six months ended 30 June 2019, employee benefit expenses of the Group were RMB223.7 million, representing an increase of RMB37.0 million, or 19.8% from RMB186.7 million for the comparative period of last year. The increase in employee benefit expenses was mainly due to the recruitment of employees as a result of the growth of business volume of the Group.

Operating lease expenses

For the six months ended 30 June 2019, operating lease expenses of the Group were RMB38.5 million, representing an increase of RMB5.4 million, or 16.3% from RMB33.1 million for the comparative period of last year. As a result of a change in accounting policy, instead of being accounted for as operating lease expenses, long-term leases are recognised as a right-of-use assets and are depreciated. During the period, depreciation of right-of-use assets amounted to RMB8.5 million. Notwithstanding the aforesaid change there was an overall increase in operating lease expenses. This was mainly due to the growth of operating activities of the Group.

Transportation costs

For the six months ended 30 June 2019, transportation costs of the Group amounted to RMB17.0 million, representing an increase of RMB10.9 million, or 178.7% from RMB6.1 million for the comparative period of last year. The increase in transportation costs was mainly due to the growth of operating activities of the Group.

Depreciation and Amortisation

For the six months ended 30 June 2019, depreciation and amortisation of the Group was RMB39.6 million, representing an increase of RMB0.2 million, or 0.5% from RMB39.4 million for the comparative period of last year. The increase in depreciation and amortisation was mainly due to the increase in depreciation of leased assets as a result of a change in accounting policy related to leases, offset by reduction in depreciation as certain fixed assets became fully depreciated.

Technical service expenses

For the six months ended 30 June 2019, technical service expenses of the Group were RMB97.9 million, representing an increase of RMB57.5 million, or 142.3% from RMB40.4 million for the comparative period of last year. The increase in technical service expenses was mainly due to the growth of operating activities of the Group.

Reversal of impairment loss/(impairment loss) of assets

For the six months ended 30 June 2019, reversal of impairment loss of assets of the Group was RMB2.1 million, as compared with impairment loss of assets was RMB0.8 million for the comparative period of last year. The reversal of impairment loss of assets was mainly due to the decrease in risks associated with asset impairment as the oil-field service industry recovered.

Others

For the six months ended 30 June 2019, other operating costs of the Group were RMB60.7 million, representing an increase of RMB2.5 million, or 4.3% from RMB58.2 million for the comparative period of last year. The increase was mainly due to the recovery and growth of the operating activities of the Group.

Operating profit

Based on the above reasons, the Group's operating profit during the Period was RMB103.6 million, as compared with operating profit of RMB41.4 million for the comparative period of last year.

Finance costs, net

For the six months ended 30 June 2019, the Group's finance costs, net were RMB12.7 million, representing a decrease of RMB4.3 million, or 25.3% from RMB17.0 million for the comparative period. The decrease in finance costs, net was mainly due to the inclusion of interest on convertible bonds repaid in 2018 amounting to RMB7.60 million in the figures for the comparative period of last year.

Income tax expense

For the six months ended 30 June 2019, income tax expense was RMB15.6 million as compared with income tax expense of RMB6.8 million for the comparative period of last year. The increase in income tax expense was due to the recovery and growth of operating activities of the Group.

Profit for the period

As a result of the explanations above, the Group's profit for the period was RMB75.2 million, as compared with a profit of RMB17.6 million for the comparative period of last year.

Profit attributable to equity holders of the Company

For the six months ended 30 June 2019, profit attributable to equity holders of the Company was RMB75.2 million, as compared with profit attributable to equity holders of the Company of RMB19.7 million for the comparative period of last year.

Property, plant and equipment

As at 30 June 2019, property, plant and equipment were RMB334.7 million, representing an increase of RMB1.1 million, or 0.3%, from RMB333.6 million as at 31 December 2018.

Right-of-use assets

As at 30 June 2019, the carrying value of right-of-use assets amounted to RMB95.0 million, representing an increase of RMB95.0 million, or 100.0%. The increase in right-of-use assets was mainly due to the changes in accounting policy.

Land use rights

As at 30 June 2019, the carrying value of land use rights was nil, representing a decrease of RMB20.8 million, or 100.0%, from RMB20.8 million as at 31 December 2018. This was mainly due to the transfer of land-use-rights assets to right-of-use assets as a result of the changes in accounting policy.

Intangible assets

As at 30 June 2019, intangible assets were RMB9.9 million, representing a decrease of RMB3.8 million, or 27.7%, from RMB13.7 million as at 31 December 2018. This was mainly due to the continuing amortisation of the existing intangible assets.

Deferred income tax assets

As at 30 June 2019, deferred income tax assets were RMB121.8 million, representing a decrease of RMB9.6 million, or 7.3%, from RMB131.4 million as at 31 December 2018. The decrease was mainly due to the Group's utilisation of tax losses carried forward.

Prepayments and other receivables

As at 30 June 2019, non-current portion of prepayments and other receivables was RMB48.9 million, representing an increase of RMB32.8 million, or 203.7%, from RMB16.1 million as at 31 December 2018, while current portion of prepayments and other receivables was RMB301.3 million, representing an increase of RMB12.1 million, or 4.1%, from RMB289.2 million as at 31 December 2018. The increase was mainly due to recovery and growth of operating activities of the Group.

Inventories

As at 30 June 2019, inventories were RMB421.1 million, representing an increase of RMB48.0 million, or 12.9%, from RMB373.1 million as at 31 December 2018. The increase in inventories was mainly due to the recovery and growth of operating activities of the Group.

Trade and note receivables/Trade and note payables

As at 30 June 2019, trade and note receivables were RMB886.7 million, representing a decrease of RMB4.5 million, or 0.5%, from RMB891.2 million as at 31 December 2018. The marginal decrease, not withstanding the substantial increase in revenue, was mainly due to the Group's increased efforts to recover accounts receivable. As at 30 June 2019, trade and note payables were RMB612.5 million, representing a decrease of RMB90.0 million, or 12.8%, from RMB702.5 million as at 31 December 2018. The decrease was mainly due to the payment of part of the old aged payables during the Period.

Liquidity and capital resources

As at 30 June 2019, the Group's cash and bank deposits, comprising cash and cash equivalents and restricted bank deposits mainly denominated in RMB and USD, were RMB285.1 million, representing a decrease of RMB75.8 million, or 21.0%, from RMB360.9 million as at 31 December 2018. The decrease was mainly due to the increase in preliminary costs committed by the Group to its business for industry layout as market conditions picked up.

As at 30 June 2019, the Group's short-term borrowings and current portion of long-term borrowings were RMB301.8 million while the long-term borrowings were RMB60.7 million. As at 31 December 2018, the Group's short-term bank borrowings and current portion of long-term bank borrowings were RMB154.5 million while the long-term borrowings were RMB143.0 million. On 30 June 2019, the Group's bank borrowings were mainly denominated in RMB and such borrowings were generally subject to a fixed interest rate.

As at 30 June 2019, the Group's gearing ratio was 27.0%, representing an increase of 3.2% as compared with 23.8% as at 31 December 2018. 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.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2019, the total number of ordinary shares of the Company in issue was 1,851,100,665 shares (31 December 2018: 1,849,021,665 shares). As at 30 June 2019, equity attributable to the equity holders of the Company was RMB1,250.6 million, representing an increase of RMB92.6 million, or 8.0%, as compared with RMB1,158.0 million as at 31 December 2018.

Significant investment held

As at 30 June 2019, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the six months ended 30 June 2019, the Group had no material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 30 June 2019, the Group pledged parts of its property, plant and equipment, long-term prepayments, trade and note receivables and rights-of-use assets to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Property, plant and equipment	**70,595**	49,905
Long-term prepayments	**–**	6,130
Trade and note receivables	**241,000**	218,516
Right-of-use assets	**5,909**	–

Foreign exchange risk

Fluctuations in exchange rates of Kazakhstan Tenge brings foreign currency exchange risk to the Group. Currently, Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts are required to be denominated in Kazakhstan Tenge. In the first half of 2019, exchange rates of Kazakhstan Tenge against RMB fell slightly in general as compared with the corresponding period of last year but had no significant impact on the overall business of the Group.

Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2019, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 30 June 2019, the Group had capital expenditure commitments of RMB2.5 million.

Subsequent event

Subsequent to 30 June 2019, the Company had no material subsequent events.

SUBSEQUENT WORK PLANS

Since 2019, the oil-field service industry has been brought with good development opportunities. Centring on the Group's strategies and business objectives for 2019, the Group will continue to strengthen its work in the following areas in the second half of 2019:

1. Continue to take a market-oriented approach, expand existing business, solve customer needs and develop one-stop turnkey business.

2. Strengthen the marketing of existing technologies, actively introduce new technologies and new processes to expand new business growth points and seek new breakthrough in high temperature gas well business, non-conventional oil and gas business, gas reservoir business, land and marine oilfield environmental protection business.

3. Push ahead the overseas development strategy, continue to achieve customer diversification and actively expand into overseas markets, especially the markets of Middle East and Africa.

4. Continue to enhance the standard of internal management, enhance management efficiency, strengthen team capacity building and optimise the three major systems namely authorisation, incentive and risk management and internal control.

5. Focus on production safety management and continue to comprehensively and effectively implement the health, safety and environmental management systems to ensure production operations are smoothly implemented.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The board (the "Board") of directors (the "Directors") of the Company is of the view that the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 June 2019. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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 enquiries with all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2019.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has jointly reviewed the accounting policies and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2019 of the Group with the auditor of the Company.

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

Save as otherwise disclosed in this report, during the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE SUBSEQUENT TO THE 2018 ANNUAL REPORT

Mr. Wu Jiwei has been appointed as an executive Director of the Company with effect from 26 March 2019.

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 2019, 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 Officer	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)	35.03%
	Beneficial owner (note 3)	2,590,000 (L)	0.14%
Mr. Ethan Wu	Beneficiary of trusts (note 2)	648,484,000 (L)	35.03%
	Beneficial owner (note 3)	2,590,000 (L)	0.14%
Ms. Chen Chunhua (note 3)	Beneficial owner	3,500,000 (L)	0.19%
Mr. Wan Kah Ming	Beneficial owner	33,333 (L)	0.002%
	Beneficial owner (note 3)	1,833,334 (L)	0.10%
Mr. Wu Kwok Keung Andrew (note 3)	Beneficial owner	3,500,000 (L)	0.19%
Mr. Li Qiang (note 3)	Beneficial owner	11,568,000 (L)	0.62%
Ms. Zhang Yujuan (note 3)	Beneficial owner	2,500,000 (L)	0.14%
Mr. Wu Jiwei (note 3)	Beneficial owner	15,000,000 (L)	0.81%

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. Wan Kah Ming, Mr. Wu Kwok Keung Andrew, Mr. Li Qiang, Ms. Zhang Yujuan and Mr. Wu Jiwei 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 2019, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2019 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 2019, 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 (note 6)	Beneficial owner	137,372,000 (L)	7.42%
Elegant Eagle Investments Limited (notes 1 and 6)	Interest of controlled corporation	158,972,000 (L)	8.59%
Truepath Limited (note 6)	Beneficial owner	489,512,000 (L)	26.44%
Red Velvet Holdings Limited (notes 2 and 6)	Interest of controlled corporation	489,512,000 (L)	26.44%
Credit Suisse Trust Limited (notes 3 and 6)	Trustee	711,642,242 (L)	38.44%
Greenwoods Asset Management Limited (notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.43%
Greenwoods Asset Management Holdings Limited (notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.43%
Jiang Jinzhi (notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.43%
Unique Element Corp. (notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.43%

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. Truepath Limited beneficially owned 489,512,000 shares of the Company. 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 and the Jumbo Wind Trust which are discretionary trusts holding the shares in the Company in form of trusts via Elegant Eagle Investments Limited, Red Velvet Holdings Limited and 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 and Jumbo Wind Limited.

4. Such 119,000,000 shares represent the same parcel of shares.

5. "L" denotes long position.

6. Pursuant to section 336 of the SFO, the shareholders 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 2019, 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 Company has refreshed the Share Option Scheme mandate limit at the annual general meeting held on 13 June 2019, representing 10% of the shares in issue on the same date (i.e. a total of 184,988,866 shares).

4. Maximum entitlement of each participant

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

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

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

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

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

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

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 on acceptance of the offer for the grant of the options 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 the participants 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 options; (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 options; and (iii) the nominal value of a share on the date of grant of the options.

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 Share Option Scheme is 2 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 13 June 2019. The Company may at any time refresh such limit, subject to the issuance of a circular and the shareholder's approval 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 ended 30 June 2019 are as follows:

	Number of share options								
Grantee	Outstanding as at 1 January 2019	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2019	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
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. Wu Jiwei	9,000,000 (note 5)	–	–	–	–	9,000,000	26/09/2018	25/09/2028	HK$0.740
	6,000,000 (note 6)	–	–	–	–	6,000,000	06/12/2018	05/12/2028	HK$0.532
Ms. Chen Chunhua	1,000,000 (note 2)	–	–	–	–	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. Wu Kwok Keung Andrew	1,000,000 (note 2)	–	–	–	–	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

Grantee	Outstanding as at 1 January 2019	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2019	Date of grant	Date of expiry	Exercise price per share
	Number of share options								
Mr. Li Qiang	568,000 (note 1)	–	–	–	–	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 2)	–	–	–	–	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
	500,000 (note 4)	–	–	–	–	500,000	31/08/2016	30/08/2026	HK$0.490
Employees (in aggregate)	7,362,000 (note 1)	–	–	–	232,000	7,130,000	20/02/2012	19/02/2022	HK$1.292
	2,750,000 (note 2)	–	–	–	–	2,750,000	29/03/2012	28/03/2022	HK$1.360
	34,320,000 (note 3)	–	–	–	1,390,000	32,930,000	13/06/2013	12/06/2023	HK$4.694
	94,786,000 (note 4)	–	2,079,000 (note 7)	–	2,680,000	90,027,000	31/08/2016	30/08/2026	HK$0.490
	51,000,000 (note 5)	–	–	–	–	51,000,000	26/09/2018	25/09/2028	HK$0.740
	31,000,000 (note 6)	–	–	–	–	31,000,000	06/12/2018	05/12/2028	HK$0.532
Total	**264,299,334**	**–**	**2,079,000**	**–**	**4,302,000**	**257,918,334**			

Notes:

1. The closing price of the shares immediately before 20 February 2012 on which the share options were granted was HK$1.27 per share. 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 the remaining 1/3 are exercisable from 20/02/2015 to 19/02/2022.

2. The closing price of the shares immediately before 29 March 2012 on which the share options were granted was HK$1.33 per share. 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 the remaining 1/3 are exercisable from 29/03/2015 to 28/03/2022.

3. The closing price of shares immediately before 13 June 2013 on which the share options were granted was HK$4.57 per share. 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 the remaining 1/3 are exercisable from 13/06/2016 to 12/06/2023.

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

5. The closing price of shares immediately before 26 September 2018 on which the share options were granted was HK$0.73 per share. 1/3 of which are exercisable from 26/09/2019 to 25/09/2028; 1/3 of which are exercisable from 26/09/2020 to 25/09/2028; and the remaining 1/3 are exercisable from 26/09/2021 to 25/09/2028.

6. The closing price of shares immediately before 6 December 2018 on which the share options were granted was HK$0.54 per share. 1/3 of which are exercisable from 06/12/2019 to 05/12/2028; 1/3 of which are exercisable from 06/12/2020 to 05/12/2028; and the remaining 1/3 are exercisable from 06/12/2021 to 05/12/2028.

7. The weighted average closing price of the shares issued during the Reporting Period from exercise of options immediately before the dates on which the options were exercised was approximately HK$0.76 per share.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2019 under the Share Option Scheme.

INTERIM DIVIDEND

The Board proposed not to declare interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

Hong Kong, 26 August 2019

Interim Condensed Consolidated Balance Sheet

As at 30 June 2019

	Note	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	**334,705**	333,590
Right-of-use assets	4	**95,042**	–
Land use rights	7	**–**	20,792
Intangible assets	7	**9,871**	13,734
Investments in associates		**5,608**	5,440
Deferred income tax assets	16	**121,822**	131,380
Prepayments and other receivables	10	**48,918**	16,145
		615,966	521,081
Current assets			
Inventories	8	**421,079**	373,057
Contract assets		**37,324**	24,581
Trade and note receivables	9	**886,713**	891,218
Prepayments and other receivables	10	**301,264**	289,195
Restricted bank deposits		**22,658**	7,227
Cash and cash equivalents		**262,426**	353,638
		1,931,464	1,938,916
Total assets		**2,547,430**	2,459,997
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	11	**1,176**	1,175
Share premium		**846,507**	845,246
Other reserves	12	**310,030**	298,510
Retained earnings		**539,828**	468,476
Currency translation differences		**(446,907)**	(455,398)
		1,250,634	1,158,009
Non-controlling interests		**94,117**	93,403
Total equity		**1,344,751**	1,251,412

	Note	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	13	**60,712**	142,990
Lease liabilities	4	**48,375**	–
Deferred income tax liabilities	16	**19,890**	18,642
		128,977	161,632
Current liabilities			
Borrowings	13	**163,543**	123,274
Current portion of long-term borrowings	13	**138,281**	31,258
Contract liabilities		**6,429**	13,956
Trade and note payables	14	**612,462**	702,489
Accruals and other payables	15	**83,465**	120,475
Current income tax liabilities		**55,392**	55,501
Lease liabilities	4	**14,130**	–
		1,073,702	1,046,953
Total liabilities		**1,202,679**	1,208,585
Total equity and liabilities		**2,547,430**	2,459,997

The accompanying notes on page 33 to 56 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 26 to 56 were approved by the Board of Directors on 26 August 2019 and were signed on its behalf.

Wang Guoqiang	Ethan Wu
Director	*Director*

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June **2019** ***RMB'000*** **Unaudited**	 2018 *RMB'000* Unaudited
Revenue	6	**754,747**	540,562
Other gains/(losses), net		**3,422**	(5,291)
Operating costs			
Material costs		**(179,205)**	(129,211)
Employee benefit expenses	17	**(223,747)**	(186,682)
Operating lease expenses		**(38,524)**	(33,090)
Transportation costs		**(16,990)**	(6,067)
Depreciation and amortisation		**(39,594)**	(39,448)
Technical service expenses		**(97,872)**	(40,422)
Reversal of impairment of assets		**706**	578
Reversal of impairment/(impairment) of financial and contract assets		**1,344**	(1,349)
Others		**(60,704)**	(58,223)
		(654,586)	(493,914)
Operating profit		**103,583**	41,357
Finance income		**1,013**	326
Finance costs		**(13,728)**	(17,336)
Finance costs, net	19	**(12,715)**	(17,010)
Profit before income tax		**90,868**	24,347
Income tax expense	20	**(15,642)**	(6,789)
Profit for the period		**75,226**	17,558
Profit is attributable to:			
Owners of the Company		**75,159**	19,684
Non-controlling interests		**67**	(2,126)
		75,226	17,558
Earnings per share for the profit attributable to the equity holders of the Company			
Basic earnings per share (RMB)	22	**0.0406**	0.0121
Diluted earnings per share (RMB)	22	**0.0400**	0.0117

The accompanying notes on page 33 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June **2019** ***RMB'000*** **Unaudited**	 2018 *RMB'000* Unaudited
Profit for the period		**75,226**	17,558
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**7,150**	(12,552)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**1,290**	13,155
Total comprehensive income for the period		**83,666**	18,161
Total comprehensive income for the period is attributable to:			
Owners of the Company		**83,650**	20,273
Non-controlling interests		**16**	(2,112)
		83,666	18,161
Total comprehensive income for the period		**83,666**	18,161

The accompanying notes on page 33 to 56 are 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 2019

		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 31 December 2017 (Audited)		975	591,991	346,624	(456,981)	397,373	879,982	98,116	978,098
Change in accounting policy		–	–	–	–	(4,314)	(4,314)	–	(4,314)
Restated total equity as at 1 January 2018		975	591,991	346,624	(456,981)	393,059	875,668	98,116	973,784
Comprehensive income									
Profit/(loss) for the period		–	–	–	–	19,684	19,684	(2,126)	17,558
Other comprehensive income		–	–	–	589	–	589	14	603
Total comprehensive income		–	–	–	589	19,684	20,273	(2,112)	18,161
Transactions with owners in their capacity as owners									
Issue of ordinary shares		195	187,934	–	–	–	188,129	–	188,129
Share-based payments	17	–	–	3,031	–	–	3,031	–	3,031
Share options exercised		1	1,115	(319)	–	–	797	–	797
Total transactions with owners in their capacity as owners		196	189,049	2,712	–	–	191,957	–	191,957
Balance as at 30 June 2018 (Unaudited)		1,171	781,040	349,336	(456,392)	412,743	1,087,898	96,004	1,183,902

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Note	Equity attributable to owners of the Company							
		Share capital	Share premium	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 31 December 2018 (Audited)		**1,175**	**845,246**	**298,510**	**(455,398)**	**468,476**	**1,158,009**	**93,403**	**1,251,412**
Comprehensive income									
Profit for the period		–	–	–	–	75,159	75,159	67	75,226
Other comprehensive income		–	–	–	8,491	–	8,491	(51)	8,440
Total comprehensive income		–	–	–	8,491	75,159	83,650	16	83,666
Transactions with owners in their capacity as owners									
Share-based payments	17	–	–	8,589	–	–	8,589	–	8,589
Transfer to statutory reserves		–	–	3,807	–	(3,807)	–	–	–
Share options exercised		1	1,261	(373)	–	–	889	–	889
Acquisition of non-controlling interests		–	–	(503)	–	–	(503)	(13)	(516)
Capital injection in a subsidiary		–	–	–	–	–	–	711	711
Total transactions with owners in their capacity as owners		1	1,261	11,520	–	(3,807)	8,975	698	9,673
Balance as at 30 June 2019 (Unaudited)		**1,176**	**846,507**	**310,030**	**(446,907)**	**539,828**	**1,250,634**	**94,117**	**1,344,751**

The accompanying notes on page 33 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Re-presented Unaudited
Cash flows from operating activities			
Cash used in operations		**(46,447)**	(67,511)
Income tax paid		**(1,517)**	(8,696)
Net cash used in operating activities		**(47,964)**	(76,207)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(76,931)**	(12,481)
(Increase)/decrease in restricted bank deposits		**(15,431)**	688
Interest received		**935**	64
Proceeds from disposal of property, plant and equipment		**82**	2,663
Purchases of intangible assets		**(9)**	–
Net cash used in investing activities		**(91,354)**	(9,066)
Cash flows from financing activities			
Proceeds from borrowings		**179,543**	212,817
Repayments of borrowings		**(107,572)**	(174,680)
Interest paid		**(12,987)**	(15,571)
Principal elements of lease payments		**(7,187)**	–
Payments of financing fee and deposits		**(4,080)**	–
Proceeds from exercise of share options		**889**	797
Net proceeds from placing of new shares		**–**	188,129
Acquisition of non-controlling interests		**(515)**	–
Net cash generated from financing activities		**48,091**	211,492
Net (decrease)/increase in cash and cash equivalents		**(91,227)**	126,219
Cash and cash equivalents at beginning of the period		**353,638**	147,022
Exchange gains/(losses) on cash and cash equivalents		**15**	(1,754)
Cash and cash equivalents at end of the period		**262,426**	271,487

* In order to enhance the comparability of the cash flow statement of the Group, the Group classified interest paid and interest received from operating activities to financing activities and investing activities respectively in the current period. Prior period figures were reclassified accordingly.

The accompanying notes on page 33 to 56 are 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 shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 December 2011 through a global offering ("Global Offering").

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

These interim condensed consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These interim condensed consolidated financial statements were approved for issue on 26 August 2019.

These interim condensed consolidated financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial report for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The interim condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 *Lease*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 4 below. The other new or amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where it is different to those applied in prior periods.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As such, the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.4%.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

	2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	97,362
Discounted using the lessee's incremental borrowing rate of at the date of initial application	82,229
(Less): short-term leases to be recognised on a straight-line basis as expense	(16,038)
(Less): low-value leases to be recognised on a straight-line basis as expense	(23)
(Less): contracts reassessed as service agreements	(503)
Lease liability recognised as at 1 January 2019	65,665
Of which are:	
Current lease liabilities	13,665
Non-current lease liabilities	52,000
	65,665

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 ***RMB'000***	1 January 2019 *RMB'000*
Buildings	**55,058**	55,195
Land use rights	**20,552**	20,792
Machinery and equipment	**16,377**	20,458
Furniture, fixtures and others	**3,055**	3,078
Total right-of-use assets	**95,042**	99,523

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Land use rights – decrease by RMB20,792,000
- Right-of-use assets – increase by RMB99,523,000
- Accruals and other payables – decrease by RMB2,386,000
- Lease liabilities – increase by RMB65,665,000
- Prepayment – decrease by RMB15,452,000.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

(i) Impact on segment disclosures and earnings per share

Adjusted profit or loss before income tax expense, depreciation and amortisation, finance income, finance costs and certain unallocated expenses ("EBITDA"), segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Adjusted EBITDA ***RMB'000***	**Segment assets** ***RMB'000***	**Segment liabilities** ***RMB'000***
Drilling	4,120	33,027	33,492
Well completion	1,829	12,680	12,827
Reservoir	3,053	13,641	13,798
	9,002	59,348	60,117

Earnings per share decreased by RMB0.0003 per share for the six months ended 30 June 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

The Group leases buildings, machinery and equipment, furniture, fixtures and others as well as land. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some small machinery and equipment and small items of office furniture.

5. 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 these condensed consolidated interim financial statements, the significant judgements made by the 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 2018.

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 are responsible for reviewing 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.

6. SEGMENT INFORMATION (CONTINUED)

(a) Revenue

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**312,219**	221,768
Well completion	**196,356**	91,238
Reservoir	**246,172**	227,556
	754,747	540,562

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 EBITDA.

(b) Segment information

	Drilling	**Well completion**	**Reservoir**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Six months ended 30 June 2019 (Unaudited)				
Time of revenue recognition				
– At a point in time	**46,491**	**121,249**	**25,339**	**193,079**
– Over time	**265,728**	**75,107**	**220,833**	**561,668**
Revenue from external customers	**312,219**	**196,356**	**246,172**	**754,747**
EBITDA	**69,486**	**61,230**	**64,487**	**195,203**

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Total *RMB'000*
Six months ended 30 June 2018 (Unaudited)				
Time of revenue recognition				
– At a point in time	7,461	62,996	23,195	93,652
– Over time	214,307	28,242	204,361	446,910
Revenue from external customers	221,768	91,238	227,556	540,562
EBITDA	45,199	18,838	60,585	124,622

	Drilling ***RMB'000***	**Well completion** ***RMB'000***	**Reservoir** ***RMB'000***	**Total** ***RMB'000***
Total assets				
As at 30 June 2019	**714,495**	**748,672**	**526,026**	**1,989,193**
As at 31 December 2018	627,214	785,458	420,754	1,833,426

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA for reportable segments	**195,203**	124,622
Unallocated expenses		
– Share-based payments *(Note 17)*	**(8,589)**	(3,031)
– Other gains/(losses), net	**3,422**	(5,291)
– Unallocated overhead expenses	**(46,859)**	(35,495)
	(52,026)	(43,817)
	143,177	80,805
Depreciation and amortisation	**(39,594)**	(39,448)
Finance income	**1,013**	326
Finance costs	**(13,728)**	(17,336)
Profit before income tax	**90,868**	24,347

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
PRC	**468,030**	322,082
Kazakhstan	**139,515**	143,199
Turkmenistan	**78,260**	29,972
Canada	**23,258**	21,864
Indonesia	**24,284**	14,894
Middle East	**20,170**	8,544
Others	**1,230**	7
	754,747	540,562

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current assets (other than deferred income tax assets)		
PRC	**313,050**	221,402
Kazakhstan	**60,785**	60,151
Middle East	**42,554**	45,675
Turkmenistan	**35,567**	21,068
Singapore	**21,448**	21,529
Canada	**9,576**	9,558
Indonesia	**4,924**	4,866
Others	**632**	12
	488,536	384,261

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

	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 2019			
Net book value			
Opening amount (Audited)	**333,590**	**20,792**	**13,734**
Adjustment for change in accounting policy *(Note 4)*	**–**	**(20,792)**	**–**
Restated opening amount	**333,590**	**–**	**13,734**
Additions	**28,526**	**–**	**9**
Depreciation and amortisation	**(26,995)**	**–**	**(4,070)**
Disposals	**(2,826)**	**–**	**–**
Exchange differences	**2,410**	**–**	**198**
Closing amount as at 30 June 2019 (Unaudited)	**334,705**	**–**	**9,871**
Six months ended 30 June 2018			
Net book value			
Opening amount (Audited)	348,626	21,275	23,219
Additions	6,628	–	–
Depreciation and amortisation	(33,556)	(241)	(5,651)
Disposals	(5,484)	–	–
Exchange differences	(1,792)	–	(284)
Closing amount as at 30 June 2018 (Unaudited)	314,422	21,034	17,284

8. INVENTORIES

	30 June 2019 *RMB'000* **Unaudited**	31 December 2018 *RMB'000* Audited
Project materials and consumables	**404,161**	402,870
Project-in-progress	**60,941**	14,591
	465,102	417,461
Less: provision for impairment	**(44,023)**	(44,404)
	421,079	373,057

9. TRADE AND NOTE RECEIVABLES

	30 June 2019 **RMB'000** **Unaudited**	31 December 2018 RMB'000 Audited
Trade receivables	**868,961**	882,925
Less: loss allowance	**(85,911)**	(87,830)
Trade receivables – net	**783,050**	795,095
Note receivables	**103,663**	96,123
	886,713	891,218

(a) Ageing analysis of gross trade and note receivables as at the respective balance sheet date based on invoice date is as follows:

	30 June 2019 **RMB'000** **Unaudited**	31 December 2018 RMB'000 Audited
Up to 6 months	**668,278**	711,376
6 months – 1 year	**138,285**	94,411
1 – 2 years	**50,514**	51,409
2 – 3 years	**15,452**	18,314
Over 3 years	**100,095**	103,538
Trade and note receivables, gross	**972,624**	979,048
Less: loss allowance	**(85,911)**	(87,830)
Trade and note receivables, net	**886,713**	891,218

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

10. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
Current		
Advances to suppliers	**107,476**	95,789
Prepayment for taxes	**18,762**	26,857
Less: loss allowance	**(1,543)**	(1,739)
Total non-financial assets	**124,695**	120,907
Deposits and other receivables	**97,234**	77,411
Receivable relating to disposal of certain equipment	**83,140**	93,225
Less: loss allowance	**(3,805)**	(2,348)
Total financial assets	**176,569**	168,288
	301,264	289,195
Non-current		
Advances to suppliers	**47,716**	419
Deposits and other receivables	**1,202**	274
Prepayment for operating lease	**–**	15,452
	48,918	16,145
Total	**350,182**	305,340

11. SHARE CAPITAL

	Number of share *(Thousands)*	Share capital *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each as at 30 June 2019 and 31 December 2018	5,000,000	3,219
Issued and fully paid:		
Ordinary shares of USD0.0001 each		
As at 31 December 2018 (Audited)	1,849,022	1,175
Add: Share options exercised	2,079	1
As at 30 June 2019 (Unaudited)	1,851,101	1,176

12. OTHER RESERVES

	30 June 2019 ***RMB'000*** **Unaudited**	31 December 2018 *RMB'000* Audited
Merger reserves	**(148,895)**	(148,895)
Share-based payments	**186,198**	177,982
Statutory reserves	**64,308**	60,501
Capital reserves	**208,419**	208,922
	310,030	298,510

13. BORROWINGS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current portion of long-term borrowings:		
Secured bank borrowings (a)(i)(iii)	**28,130**	115,372
Secured loans from a third party institution (b)	**32,582**	27,618
	60,712	142,990
Current portion of long-term borrowings:		
Secured bank borrowings (a)(i)(iii)	**114,779**	17,258
Secured loans from a third party institution (b)	**23,502**	14,000
	138,281	31,258
Current:		
Short-term secured bank borrowings (a)(ii)(iii)	**163,543**	112,803
Short-term entrusted loan	**–**	10,000
Other short-term borrowings	**–**	471
	163,543	123,274
Total borrowings	**362,536**	297,522

13. BORROWINGS (CONTINUED)

Notes

(a) Bank borrowings

(i) As at 30 June 2019, long-term secured bank borrowings amounting to RMB5,909,000, comprising non-current portion of RMB5,130,000 and current portion of RMB779,000, are repayable by annual installments through 2026 with an effective interest rate of 5.25% per annum, and are secured by mortgage of a right-of-use asset and the guarantee of the Company.

As at 30 June 2019, the current portion of long-term secured bank borrowings amounting to RMB112,000,000 are repayable by 30 June 2020 with an effective interest rate of 6.08% per annum, and are secured by pledge of certain trade and note receivables of the Group.

As at 30 June 2019, long-term secured bank borrowings amounting to RMB25,000,000, comprising non-current portion of RMB23,000,000 and current portion of RMB2,000,000, are repayable by annual installments through 2021 with an effective interest rate of 6.60% per annum, and are secured by pledge of certain trade and note receivables of the Group.

(ii) As at 30 June 2019, short-term secured bank borrowings amounting to RMB103,543,000 are repayable in 1 year with interest rates of 6.00% to 6.53% per annum, and are secured by pledge of certain trade and note receivables of the Group.

As at 30 June 2019, short-term secured bank borrowings amounting to RMB60,000,000 are repayable in 1 year with interest rates of 5.22% to 5.66% per annum and are guaranteed by a third party guarantee company ("Guarantor"). A counter guarantee to the Guarantor for these bank borrowings is jointly provided by a subsidiary of the Group by pledge of its land use right with carrying amount of RMB20,552,000 and an employee of the Group with personal guarantee.

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Long-term bank borrowings		
Secured by:		
–Trade and note receivables *(Note 9)*	**137,000**	126,500
–Right-of-use assets *(Note 4)*	**5,909**	–
–Long-term prepayments	**–**	6,130
	142,909	132,630
Short-term bank borrowings		
Secured by:		
–Trade and note receivables *(Note 9)*	**104,000**	92,016
	104,000	92,016

13. BORROWINGS (CONTINUED)

Notes (continued)

(b) Secured loans from a third party institution

The Group's loans from a third party financial institution are expiring in 2021 and 2022 and are secured by certain machinery with carrying amount of RMB70,595,000 and guarantee of a subsidiary of the Group.

14. TRADE AND NOTE PAYABLES

Ageing analysis of trade and note payables based on invoice date is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**407,784**	452,733
6 months to 1 year	**63,486**	37,750
1 – 2 years	**33,011**	62,170
2 – 3 years	**12,867**	49,834
Over 3 years	**95,314**	100,002
	612,462	702,489

15. ACCRUALS AND OTHER PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Interest payable	**3,022**	2,184
Rental payable	**–**	2,686
Other payables	**21,792**	23,843
Total financial liabilities	**24,814**	28,713
Payroll and welfare payable	**23,780**	43,599
Taxes other than income tax payable	**34,871**	48,163
Total non-financial liabilities	**58,651**	91,762
	83,465	120,475

16. DEFERRED INCOME TAXATION

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

Deferred income tax assets

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**131,380**	143,337
Charged to income statement *(Note 20)*	**(9,193)**	(5,626)
Currency translation difference	**(365)**	(109)
Closing balance at 30 June	**121,822**	137,602

Deferred income tax liabilities

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Opening balance at 1 January	**18,642**	20,957
Charged/(credited) to income statement *(Note 20)*	**1,248**	(359)
Currency translation difference	**–**	(92)
Closing balance at 30 June	**19,890**	20,506

17. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Wages, salaries and allowances	**177,751**	157,086
Housing benefits	**6,988**	6,210
Pension costs	**25,145**	17,236
Share-based payments	**8,589**	3,031
Welfare and other expenses	**5,274**	3,119
	223,747	186,682

18. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Gains on disposal of property, plant and equipment	**(967)**	(821)
Sales tax and surcharges	**2,225**	2,062
Depreciation	**35,524**	33,556
Amortisation of land use rights and intangible assets	**4,070**	5,892

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**935**	197
Net foreign exchange gains on financing activities	**78**	129
Finance income	**1,013**	326
Interest expense:		
– Bank borrowings	**(8,090)**	(8,158)
– Interest paid for lease liabilities	**(1,813)**	–
– Bank charges and others	**(2,451)**	(1,583)
– Secured loans from a third party institution	**(1,374)**	–
– Liability component of convertible bonds	**–**	(7,595)
Finance costs	**(13,728)**	(17,336)
Finance costs, net	**(12,715)**	(17,010)

20. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC	**949**	21
– Kazakhstan	**2,795**	1,435
– Others	**1,457**	66
Deferred income tax	**10,441**	5,267
Income tax expense	**15,642**	6,789

The Group operates mainly in the PRC and overseas. The estimated income tax rates applicable to the Group entities (excluding group companies that are currently tax exempted) for the six months ended 30 June 2019 varied from 15% to 30%.

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 2019, 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 at a rate of 25%.

21. DIVIDEND

The Board did not propose interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

22. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	**75,159**	19,684
Weighted average number of ordinary shares in issue (thousands)	**1,849,466**	1,628,227
Basic earnings per share (RMB)	**0.0406**	0.0121

(b) Diluted

Diluted earnings 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's share options comprised the potential ordinary shares. When calculating the dilutive earnings per share for the six months ended 30 June 2019, share options factor was considered by comparing the number of shares that could has been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options with those that would have been issues assuming the exercise of the share options.

22. EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Earnings		
Profit attributable to equity holders of the Company	**75,159**	19,684
Interest expense on convertible bonds	**–**	Anti-dilutive
	75,159	19,684
Weighted average number of ordinary shares in issue (thousands)	**1,849,466**	1,628,227
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	**–**	Anti-dilutive
– Share options (thousands)	**27,415**	47,966
	1,876,881	1,676,193
Diluted earnings per share (RMB)	**0.0400**	0.0117

23. COMMITMENT

Capital commitments

Capital expenditure contracted for but not incurred is as below:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Property, plant and equipment	**2,511**	–

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	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Salaries and other short-term benefits	**3,657**	3,345
Share-based payments	**3,051**	510
Retirement benefits and others	**508**	717
	7,216	4,572