

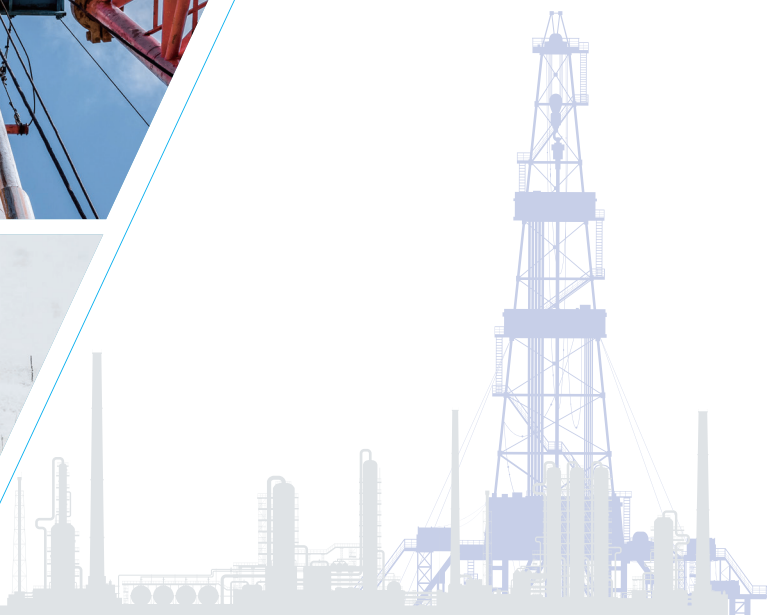
SPT SPT Energy Group Inc. 華油能源集團有限公司*

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

* for identification purpose only



INTERIM REPORT 2020



CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Other Information	19
Interim Condensed Consolidated Balance Sheet	27
Interim Condensed Consolidated Income Statement	29
Interim Condensed Consolidated Statement of Comprehensive Income	30
Interim Condensed Consolidated Statement of Changes in Equity	31
Interim Condensed Consolidated Cash Flow Statement	33
Notes to the Interim Condensed Consolidated Financial Information	34



Corporate Information

THE BOARD

Executive Directors

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

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

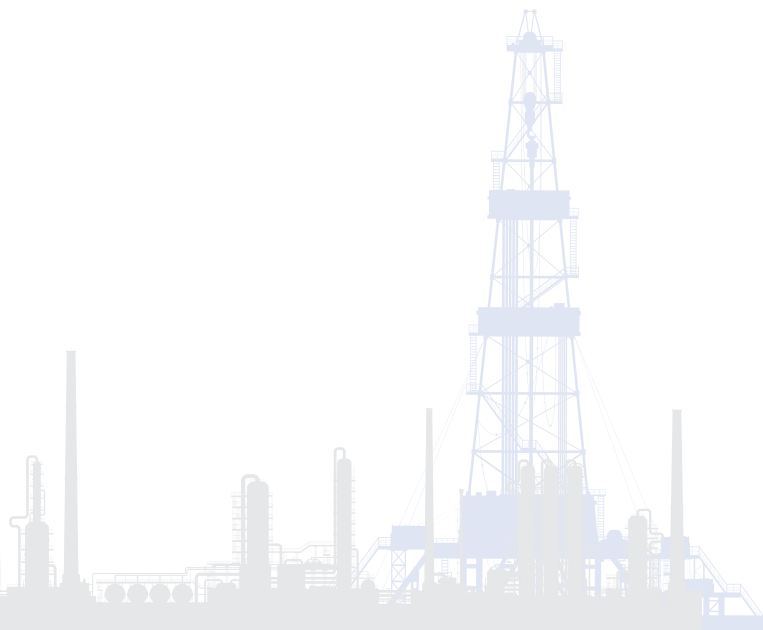
www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

5/F, Hongmao Commercial Building
Jia No. 8 Hongjunying East Road
Chaoyang District
Beijing
PRC
(postal code: 100012)



Corporate Information

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
P.O. Box 1350
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
Registered Public Interest Entity Auditor
22/F, 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

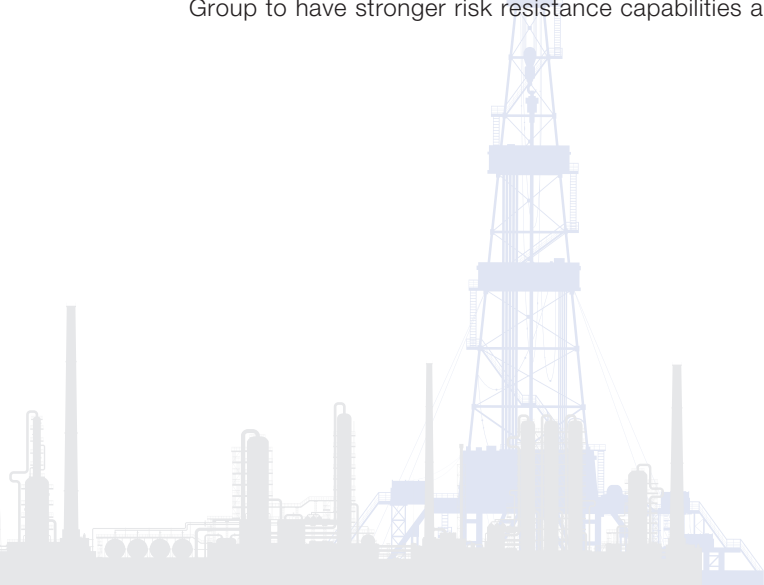
BUSINESS REVIEW

In the first half of 2020, international oil prices experienced a rapid decline under the impact of the Coronavirus Disease (“COVID-19 outbreak”) and the price war among oil producing countries. Major international oil and gas companies reduced their investments in oil and gas exploration and development to varying extent. As for the PRC market, China’s three major state-owned oil companies also made dynamic adjustments to their capital expenditures in 2020, and undertook to prioritise the investment in natural gas. The oil-field service industry faced pressure from the COVID-19 outbreak and low oil prices, alongside with slowing market demand yet fierce competition.

During the six months ended 30 June 2020 (the “Period”), both the revenue scale and profit level of SPT Energy Group Inc. (the “Company”) and its subsidiaries (the “Group”) decreased. During the Period, the Group recorded revenue of RMB609.1 million, representing a decrease of RMB145.6 million or 19.3% from the same period last year; and recorded a profit for the Period of RMB18.6 million, representing a decrease of RMB56.6 million or 75.3% as compared with the same period of the previous year. Compared to the overseas markets, the PRC market of the Group was less affected by the COVID-19 outbreak and oil prices, and the performance was relatively stable. In terms of revenue by region, revenue from the PRC market during the Period amounted to RMB437.2 million, representing a decrease of RMB30.8 million or 6.6% as compared with the same period of the previous year, and accounted for 71.8% of the total revenue. Revenue from the overseas markets amounted to RMB171.9 million, representing a decrease of RMB114.8 million or 40.0% as compared with the same period of the previous year, and accounted for 28.2% of the total revenue.

The Group took measures in the first half of 2020 to cope with the challenges brought by the external environment. Firstly, the Group adapted to market changes, kept abreast of customers’ needs, and actively explored new customers and new markets on top of its existing markets and businesses. Secondly, the Group adopted scientific anti-epidemic measures to orderly promote the resumption of work and production. At the same time, the Group further enhanced the level of refined management, tightened risk control and management, improved efficiency and exercised cost control. Thirdly, the Group strengthened the building and integration of technology, promoted the application and promotion of new technologies, and assisted customers to achieve efficient exploration and development through technological innovation.

Despite the decline in the Group’s performance during the Period, the Group upheld prudent fiscal policies, maintained a stable financial structure and adhered to the asset-light operating strategy, which enabled the Group to have stronger risk resistance capabilities and enjoy more flexibility when oil prices decreased.



Management Discussion and Analysis

REVENUE ANALYSIS

During the Period, the Group recorded revenue of RMB609.1 million, representing a decrease of RMB145.6 million or 19.3% from the same period of the previous year. The analysis of the Group's revenue by business segment is as follows:

Revenue	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change (%)
Reservoir	227,920	246,172	(7.4%)
Drilling	185,973	312,219	(40.4%)
Well Completion	195,247	196,356	(0.6%)
Total	609,140	754,747	(19.3%)

Revenue from reservoir segment as a percentage of total revenue was 37.4%. Revenue from reservoir segment amounted to RMB227.9 million, down by RMB18.3 million or 7.4% from the same period of the previous year. Revenue from drilling segment as a percentage of total revenue was 30.5%. Revenue from drilling segment amounted to RMB186.0 million, down by RMB126.2 million or 40.4% from the same period of the previous year. Revenue from well completion segment as a percentage of total revenue was 32.1%. Revenue from well completion segment amounted to RMB195.2 million, down by RMB1.1 million or 0.6% from the same period of the previous year. In terms of percentage of total revenue, the revenue contribution of the three business segments was relatively balanced. Compared with the same period of the previous year, revenue from well completion segment was basically the same; revenue from reservoir segment decreased slightly; and revenue of drilling segment dropped significantly as it was greatly affected.



Management Discussion and Analysis

RESERVOIR SERVICE SEGMENT

Revenue from reservoir segment	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change (%)
PRC	117,202	137,233	(14.6%)
Overseas	110,718	108,939	1.6%
Total	227,920	246,172	(7.4%)

The reservoir 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 segment recorded revenue of RMB227.9 million, slightly decreased from the same period of the previous year. Revenue from reservoir segment in the PRC market amounted to RMB117.2 million, down by RMB20.0 million or 14.6% from the same period of the previous year. Revenue from reservoir segment in the overseas markets amounted to RMB110.7 million, up by RMB1.8 million or 1.6% from the same period of the previous year. The reservoir business was linked to the operating expenses of upstream oil and gas companies. Despite that it was at the bottom of the industry cycle where the capital expenditure on exploration and development decreased, the reservoir business continued to generate relatively stable revenue, which enhanced the Group's ability to resist risks associated with low oil prices.

DRILLING SERVICE SEGMENT

Revenue from drilling segment	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change (%)
PRC	135,999	190,877	(28.8%)
Overseas	49,974	121,342	(58.8%)
Total	185,973	312,219	(40.4%)



Management Discussion and Analysis

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 segment amounted to RMB186.0 million, down by RMB126.2 million or 40.4% from the same period of the previous year. During the Period, revenue from drilling segment in the PRC market amounted to RMB136.0 million, representing a decrease of RMB54.9 million or 28.8% from the same period of the previous year; whereas revenue from drilling segment in the overseas markets amounted to RMB50.0 million, representing a decrease of RMB71.3 million or 58.8% from the same period of the previous year. The substantial decline in revenue from drilling segment was mainly due to the fact that oil companies reduced their capital expenditure on exploration and development when oil prices plummeted, resulting in the declining number of new drilling wells in some oil fields. Since the second quarter, the epidemic in the overseas markets has spread quickly, making manpower deployment and equipment relocation difficult. As a result, production operations were affected, and drilling business in the overseas markets shrank more significantly.

WELL COMPLETION SERVICE SEGMENT

Revenue from well completion segment	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change (%)
PRC	184,050	139,920	31.5%
Overseas	11,197	56,436	(80.2%)
Total	195,247	196,356	(0.6%)

The Group provides comprehensive well completion equipment, 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 the Group's well completion segment amounted to RMB195.2 million, down by RMB1.1 million or 0.6% from the same period of the previous year. Revenue from well completion segment in the PRC market amounted to RMB184.0 million, up by RMB44.1 million or 31.5% from the same period of the previous year. The growth mainly benefited from the expansion of well completion tools business in the PRC. Revenue from well completion segment in the overseas markets amounted to RMB11.2 million, down by RMB45.2 million or 80.2% from the same period of the previous year. Among which, well completion revenue from Turkmenistan, Kazakhstan and Indonesia recorded substantial decline.

Management Discussion and Analysis

MARKET ENVIRONMENT

During the Period, international oil prices experienced a sharp decline and a V-shaped rebound. During March and April, affected by the price war among the oil producing countries and the COVID-19 outbreak, the international oil prices experienced a rapid decline and plummeted to extremely low levels. Since May, the core oil producing countries have renewed the production reduction agreement and continued to vigorously reduce production, which provided support for oil prices. In addition, as some countries and regions began to re-open the economy, oil demand gradually recovered. Under this backdrop, international oil prices have started to increase since May and the Brent crude oil price has now returned to the level of US\$40 per barrel. The international crude oil market is gradually returning to equilibrium.

Overseas Markets

The Group's overseas businesses are mainly located in Central Asia (primarily Kazakhstan and Turkmenistan), Canada, Indonesia, Singapore and the Middle East. During the Period, apart from the growth of the business in Canada, the Group's business in other overseas markets was sluggish in general, and revenue from the overseas markets as a percentage of the total revenue further decreased. Revenue from Kazakhstan was RMB106.5 million, representing a decrease of 23.7% from the same period of the previous year. The decrease was mainly due to the reduction in investments made by oil companies, decline in oil-field service workload and slow progress of projects affected by the COVID-19 outbreak and low oil prices. Revenue from Kazakhstan as a percentage of the Group's revenue from the overseas markets was 62.0%. Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. Business in Indonesia, Turkmenistan and the Middle East also experienced a decline. Comparatively, the Group's business of the subsidiary in Canada, which is primarily engaged in the production and sales of high-end electronic pressure gauge products used for downhole monitoring, recorded outstanding performance. During the Period, revenue from the business in Canada amounted to RMB27.4 million, representing an increase of 17.8% as compared to that in the same period of the previous year.

PRC Market

At present, China's dependence on imported crude oil is approximately 70% and its dependence on imported natural gas exceeds 40%. In 2020, amid complicated and ever-changing international trade landscape, China's energy security faced new challenges. In order to ensure energy security, the "Guiding Opinion of the National Energy Administration for Energy Work in 2020 《2020年能源工作指導意見》" has been issued by the National Energy Administration in June 2020, stating its requirements to increase efforts in oil and gas exploration and development, focus on expansion of the four major oil and gas production bases in Bohai Bay, Sichuan, Xinjiang and Ordos, as well as promote the steady growth of conventional natural gas production and accelerate the development of shale gas and coal bed gas. The capital expenditure plans of China's three major state-owned oil companies for 2020 are being gradually implemented, of which the allocation of capital expenditures within the PRC is relatively strong and the investment in natural gas is less affected. In addition, the gross domestic product of China in the second quarter grew by 3.2% year-on-year, realising a turnaround in the growth of the economy. Accordingly, demand for oil and gas gradually increased.



Management Discussion and Analysis

During the Period, the number of wells operated by the Group in the Xinjiang market was basically the same as last year, but the service price decreased. As a result, revenue from the Xinjiang region decreased slightly as compared with the same period of the previous year. In particular, well completion tools service maintained stable performance and had a larger contribution to profit, while revenue from drilling fluid service decreased as compared with the same period of the previous year. At present, the construction of two oil and gas production bases in the Tarim Oilfield, namely Bozi-Dabei and South of Tahe, is being fully kicked off to implement the large-scale drilling plan and enhance drilling efficiency. At the same time, some oil companies have optimised the mode of operations and implemented turnkey contracting of underground operations, which may bring market opportunities to the Group.

During the Period, the drilling business volume in the Sichuan and Chongqing markets decreased. Revenue decreased as a result. However, since the second quarter of this year, leveraging on its technical advantages and service experience in the non-conventional gas market, the Group obtained a new drilling and fishing technology service order from the Southwest oil and gas field, with a contract amount exceeding RMB10 million, and obtained a new turnkey drilling contract order from the Zhengan shale gas exploration block, with a contract amount exceeding RMB70 million.

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

In 2020, the Group put forward “technology as traction” development strategy. Guided by market demand and based on the technological development trend of the industry, the Group formulated the strategic plan for technological development of the coming three years and will allocate more resources to the R&D and manufacturing of new technologies and equipment. During the first half of 2020, the Group continuously pushed ahead the application and marketing of new technologies in business areas such as well drilling, well completion, oil reservoir, well workover, fracturing and environmental conservation, in order to inject vitality to drive the growth and enhance the market competitiveness of the Group.

As to oil reservoir, targeting at the “three highs” (high temperature, high pressure and high sulphur volume) gas fields in Tarim, the Group successfully developed the high temperature and high pressure pressure-volume-temperature (“PVT”) sampler, being the first of its kind in China. Such product, after testing, will be put into market application and is expected to quickly capture the market share in this area. The Group successfully won the bid for the contract in the Tarim oilfield with respect to the technology of permanent downhole monitoring system (“PDMS”) for electric pump wells. It also marked the first electric pump well in the Tarim market being applied with the PDMS technology. The successful application of which generated many market opportunities for the Group.



Management Discussion and Analysis

As to drilling, the “slurry cooling technology” was successfully marketed and applied in the shale gas market in Sichuan. Compared with similar technological products, the technology had better slurry cooling effects. The equipment used was running at full speed, which greatly enhanced the drilling efficiency. As a result, the technology won high recognition from customers. Looking into the second half of 2020, the Group will push ahead the application of such technology in more wells. The Group has filed the patent application for such technology. Meanwhile, drilling efficiency enhancement tools including efficient screw and near bit logging were extensively marketed in the Xinjiang and Sichuan markets, marking the formation of the Group’s own technology system in the area of drilling efficiency enhancement.

As to well completion, the high temperature high pressure and high sulphur and carbon dioxide volume gas well completion technology attained a great breakthrough in the Southwest oil and gas fields in Sichuan. The Group successively won the bid for the project of high-end well completion tools, and continued to maintain a large market share in the well completion market in Sichuan and Chongqing. In addition, the Group continued to push ahead the marketing of the high-end well completion technology in the Tarim oilfield market. The comprehensive application of new technologies and process techniques including the multi-stage well completion process technique for three highs gas wells, vertical wells and high-angle wells, and the well completion process technique of chemical injection valve for high wax incrustation gas wells and safety valve for deep wells also successfully solved the technological challenges of three highs wells during well completion, such that the Group continued to dominate the Tarim market in the area of high-end well completion.

As to well workover, the Group innovatively introduced new process techniques and new technologies such as coiled tubing mechanical cutting and efficient fishing, and set a record high in many workover jobs such as the fastest packer process and the fastest tubing string process in the Kuche Shanqian market. During the workover of a well in the Tarim oilfield, the Group adopted a new model of workover operation enhancement in special and complex wells, which not only successfully resumed production, but also minimised the duration of the workover cycle.

Apart from the successful R&D and application of the new technologies above, the Group’s technology team conducted R&D, integration and incubation of technologies including ultra-high temperature optic fibre monitoring technology, high temperature optic fibre visualisation technology, offshore oilfield overall profile control and displacement technology, smart oilfield related technology, nano oil recovery enhancement technology, integrated technology for repeated reformation of existing shale gas wells, maximum volume placement (“MVP”) full-length diversion fracturing technology, horizontal well open-hole unlimited multi-stage fracturing technology, ultra-high temperature screw drilling technology, and special process technique of slim hole workover and fishing. Several exchanges with customers in various regional markets were conducted with sound feedback. Some technologies underwent pilot run onsite and will be implemented in projects soon, thus building a certain level of industry value. In the second half of 2020, the Group will focus its resources on promoting these technologies for greater market prospects.



Management Discussion and Analysis

HUMAN RESOURCES

Based on the Group's five-year strategic plans and business objectives for 2020, the Group continued to upgrade its human resources management system. The major details of the work in the first half of 2020 are as follows:

1. Due to the severe outbreak of COVID-19 pandemic across the globe, the Group effectively implemented a series of measures such as pandemic prevention and control, optimisation of personnel structure and labour costs, and achieved results;
2. The Group continued to optimise and upgrade the business system for human resources;
3. The Group optimised and upgraded the global human resources informatisation system; and
4. The Group continuously improved the training system and fully leveraged on the advantages of global mobile office and online learning platform to push ahead the efficient implementation of the Group's human resources work and the ongoing cultivation of talents. In the first half of 2020, the Group successfully organised 17 online learning platform projects such as "Training for Key Technical Personnel", "Training on Cost Reduction and Efficiency Enhancement", "Training for Senior Management" and "Training for Office Guru" with training attendance of 5,634 and approximately 20,000 cumulative training hours.

As at 30 June 2020, the Group had a total of 4,461 employees, up by 749 employees from 3,712 employees as at 31 December 2019. In addition to optimising the structure of the existing business personnel, due to the increase in the scale of oil and gas operation business in Western China, the number of employees increased. The actual costs of the Group's human resources for the first half of 2020 were controlled within the budget amount set at the beginning of the year.



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, revenue of the Group was RMB609.1 million, representing a decrease of RMB145.6 million, or 19.3% from RMB754.7 million for the same period of the previous year. The decrease in revenue was mainly due to the weak oil-field service market affected by the declining oil prices amid the COVID-19 outbreak.

Other (losses)/gains, net

For the six months ended 30 June 2020, other losses, net of the Group were RMB3.8 million, as compared with other gains, net of RMB3.4 million for the same period of the previous year. The losses was mainly due to the exchange loss as a result of fluctuations in exchange rates.

Material costs

For the six months ended 30 June 2020, material costs of the Group amounted to RMB141.4 million, representing a decrease of RMB37.8 million, or 21.1% from RMB179.2 million for the same period of the previous year. The decrease in material costs was mainly due to the shrinkage of operating activities of the Group.

Employee benefit expenses

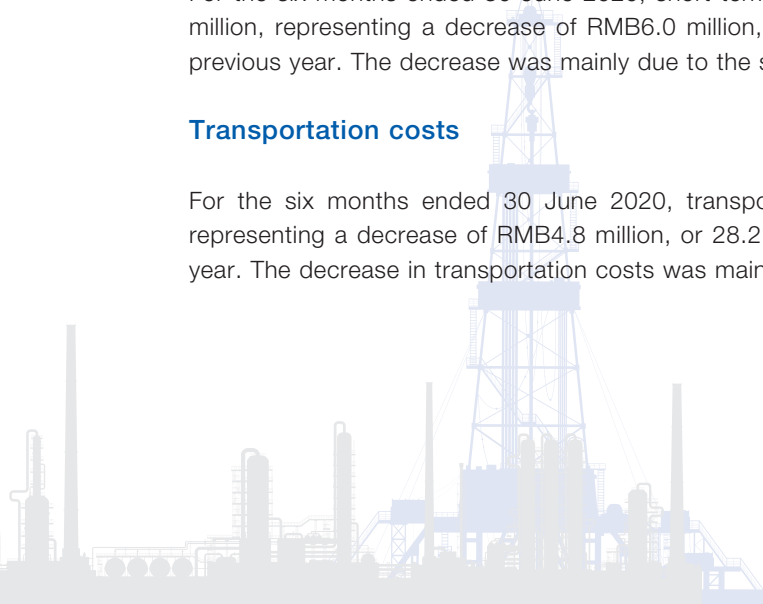
For the six months ended 30 June 2020, employee benefit expenses of the Group were RMB207.9 million, representing a decrease of RMB15.8 million, or 7.1% from RMB223.7 million for the same period of the previous year. The decrease in employee benefit expenses was mainly due to the temporary concessions for a particular period of the social security fund and other benefits and plans introduced by the government in view of the COVID-19 outbreak.

Short-term and low-value lease expenses

For the six months ended 30 June 2020, short-term and low-value lease expenses of the Group were RMB32.5 million, representing a decrease of RMB6.0 million, or 15.6% from RMB38.5 million for the same period of the previous year. The decrease was mainly due to the shrinkage of operating activities of the Group.

Transportation costs

For the six months ended 30 June 2020, transportation costs of the Group amounted to RMB12.2 million, representing a decrease of RMB4.8 million, or 28.2% from RMB17.0 million for the same period of the previous year. The decrease in transportation costs was mainly due to the shrinkage of operating activities of the Group.



Management Discussion and Analysis

Depreciation and Amortisation

For the six months ended 30 June 2020, depreciation and amortisation of the Group was RMB39.4 million, representing a decrease of RMB0.2 million, or 0.5% from RMB39.6 million for the same period of the previous year. The decrease was mainly as a result of certain intangible assets becoming fully amortised.

Technical service expenses

For the six months ended 30 June 2020, technical service expenses of the Group were RMB72.9 million, representing a decrease of RMB25.0 million, or 25.5% from RMB97.9 million for the same period of the previous year. The decrease in technical service expenses was mainly due to the shrinkage of operating activities of the Group.

Impairment loss of assets

For the six months ended 30 June 2020, impairment loss of assets of the Group was RMB6.1 million, while the reversal of impairment loss of assets of the Group was RMB2.1 million for the same period of the previous year. The impairment loss of assets was mainly due to the slow recovery of accounts receivables affected by the COVID-19 outbreak.

Others

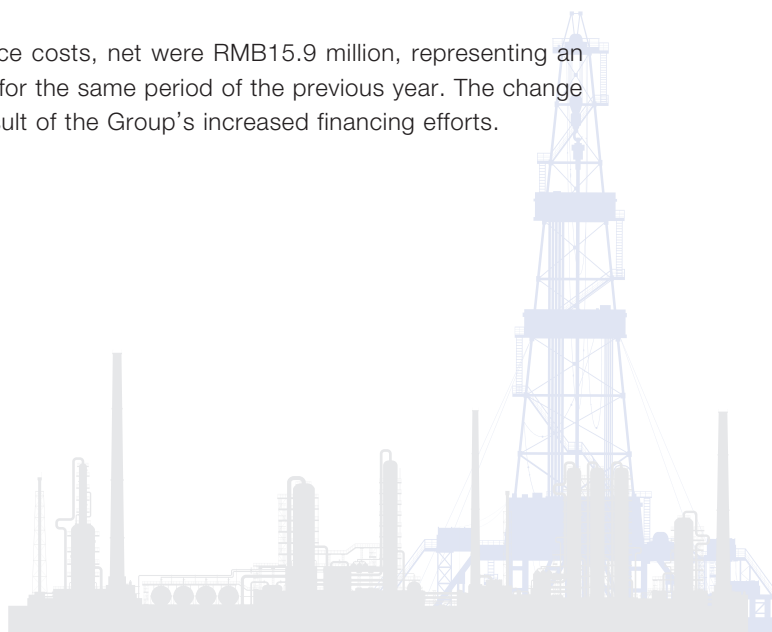
For the six months ended 30 June 2020, other operating costs of the Group were RMB48.7 million, representing a decrease of RMB12.0 million, or 19.8% from RMB60.7 million for the same period of the previous year. The decrease was mainly due to the exercise of effective cost control by the Group.

Operating profit

Based on the above reasons, the Group's operating profit during the Period was RMB44.2 million, representing a decrease of RMB59.4 million or 57.3% from RMB103.6 million for the same period of the previous year.

Finance costs, net

For the six months ended 30 June 2020, the Group's finance costs, net were RMB15.9 million, representing an increase of RMB3.2 million, or 25.2% from RMB12.7 million for the same period of the previous year. The change was mainly due to the increase in interest expenses as a result of the Group's increased financing efforts.



Management Discussion and Analysis

Income tax expense

For the six months ended 30 June 2020, income tax expense was RMB9.6 million, representing a decrease of RMB6.0 million or 38.5% from RMB15.6 million for the same period of the previous year. The decrease in income tax expense was mainly due to the decrease of operating profit.

Profit for the period

As a result of the explanations above, the Group's profit for the period was RMB18.6 million, representing a decrease of RMB56.6 million or 75.3% from RMB75.2 million for the same period of the previous year.

Profit attributable to equity holders of the Company

For the six months ended 30 June 2020, profit attributable to equity holders of the Company was RMB21.4 million, representing a decrease of RMB53.8 million or 71.5% from RMB75.2 million for the same period of the previous year.

Property, plant and equipment

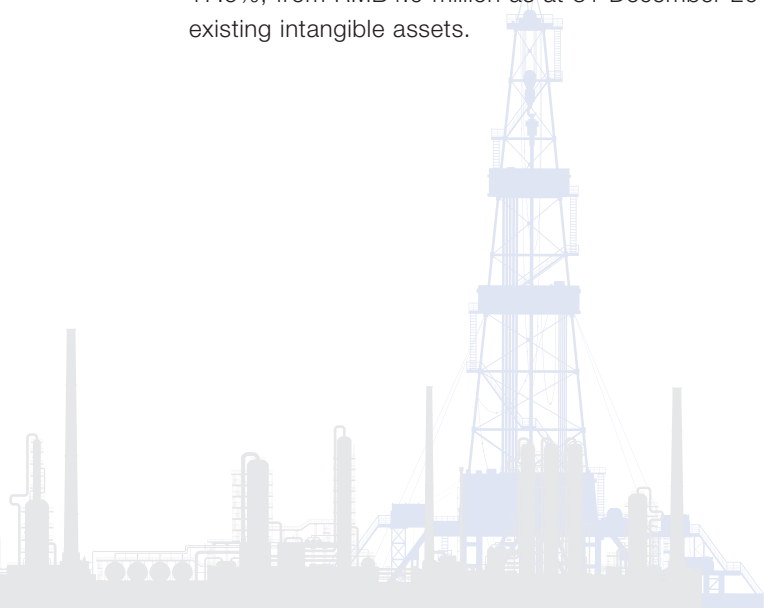
As at 30 June 2020, property, plant and equipment were RMB388.9 million, representing a decrease of RMB14.3 million, or 3.5%, from RMB403.2 million as at 31 December 2019. The decrease in property, plant and equipment was mainly due to the continuing depreciation of existing equipment.

Right-of-use assets

As at 30 June 2020, the carrying value of right-of-use assets amounted to RMB100.5 million, representing a decrease of RMB0.6 million, or 0.6% from RMB101.1 million as at 31 December 2019. The decrease was mainly due to the amortisation of right-of-use assets.

Intangible assets

As at 30 June 2020, intangible assets were RMB3.3 million, representing a decrease of RMB0.7 million, or 17.5%, from RMB4.0 million as at 31 December 2019. This was mainly due to the continuing amortisation of the existing intangible assets.



Management Discussion and Analysis

Deferred income tax assets

As at 30 June 2020, deferred income tax assets were RMB107.5 million, representing an increase of RMB6.5 million, or 6.4%, from RMB101.0 million as at 31 December 2019. The increase was mainly due to the recognition of deferred income tax assets with respect to the impairment and operating loss of some subsidiaries.

Prepayments and other receivables

As at 30 June 2020, non-current portion of prepayments and other receivables was RMB20.0 million, representing a decrease of RMB18.0 million, or 47.4%, from RMB38.0 million as at 31 December 2019, mainly due to the recognition of the Group's equipment purchased, while current portion of prepayments and other receivables was RMB341.2 million, representing an increase of RMB109.4 million, or 47.2%, from RMB231.8 million as at 31 December 2019. The increase was mainly due to the increase in security deposits for contracts as a result of the business development of the Group in the first half of the year and the delay of the shipment of goods purchased as a result of the COVID-19 outbreak.

Inventories

As at 30 June 2020, inventories were RMB488.4 million, representing an increase of RMB23.7 million, or 5.1%, from RMB464.7 million as at 31 December 2019. The increase in inventories was mainly due to the accumulation of products as a result of the slowing settlement affected by the COVID-19 outbreak.

Contract assets, trade and note receivables/Trade and notes payables

As at 30 June 2020, contract assets, trade and note receivables were RMB999.0 million, representing a decrease of RMB172.3 million, or 14.7%, from RMB1,171.3 million as at 31 December 2019. The decrease was mainly due to the decline of revenue recorded during the Period. As at 30 June 2020, trade and notes payables were RMB660.9 million, representing a decrease of RMB249.5 million, or 27.4%, from RMB910.4 million as at 31 December 2019. The decrease was mainly due to the decrease in subcontracting.



Management Discussion and Analysis

Liquidity and capital resources

As at 30 June 2020, the Group's cash and bank deposits, comprising cash and cash equivalents and restricted bank deposits, were RMB403.2 million, representing a decrease of RMB202.7 million, or 33.5%, from RMB605.9 million as at 31 December 2019. The decrease was mainly due to the shrinkage of the operating activities of the Group.

As at 30 June 2020, the Group's short-term borrowings and current portion of long-term borrowings were RMB260.5 million while the long-term borrowings were RMB158.3 million. As at 31 December 2019, the Group's short-term borrowings and current portion of long-term borrowings were RMB344.8 million while the long-term borrowings were RMB47.4 million. As at 30 June 2020, the borrowings of the Group were mainly denominated in RMB and such borrowings were subject to a fixed interest rate.

As at 30 June 2020, the Group's current lease liabilities amounted to RMB24.7 million and the non-current lease liabilities amounted to RMB44.9 million.

As at 30 June 2020, the Group's gearing ratio was 32.4%, representing an increase of 1.6% as compared with 30.8% as at 31 December 2019. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2020, the total number of ordinary shares of the Company in issue was 1,853,775,999 shares (31 December 2019: 1,853,575,999 shares). As at 30 June 2020, equity attributable to the equity holders of the Company was RMB1,405.0 million, representing an increase of RMB7.5 million, or 0.5%, as compared with RMB1,397.5 million as at 31 December 2019.

Significant investment held

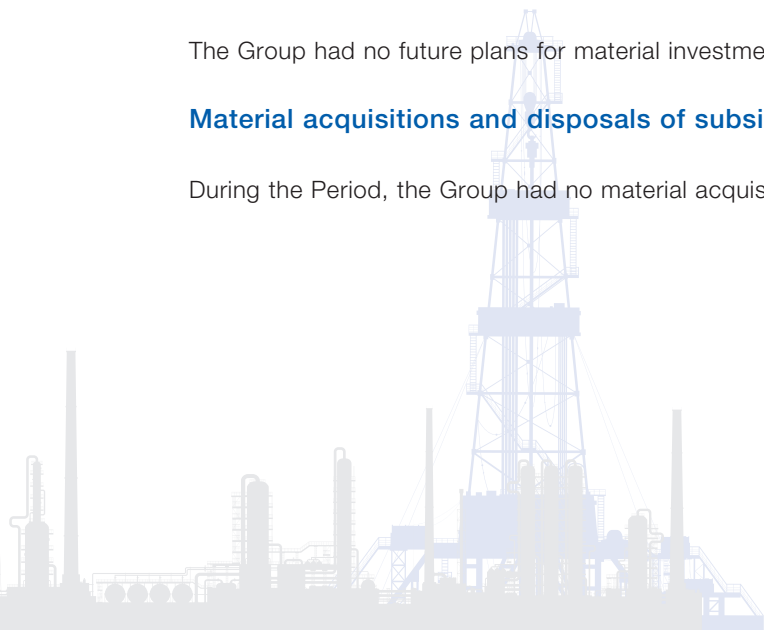
As at 30 June 2020, the Group did not hold any significant investment.

Future plans for material investments or capital assets

The Group had no future plans for material investments or capital assets as at 30 June 2020.

Material acquisitions and disposals of subsidiaries and associates

During the Period, the Group had no material acquisition or disposal of subsidiaries and associates.



Management Discussion and Analysis

Assets pledged to secure bank borrowings

As at 30 June 2020, the Group pledged parts of its right-of-use assets and trade and note receivables to secure the Group's bank borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Right-of-use assets	5,255	5,694
Trade and note receivables	315,000	302,000

Assets pledged to secure the loans from a third party institution

The Group's loans from a third party institution are expiring from 2021 to 2023 and are secured by certain machinery with a carrying amount of RMB118,478,000 (31 December 2019: RMB66,807,000), and guarantee of two subsidiaries of the Group.

Treasury policies

The Group mainly finances its daily operations with its own internal resources. The Group strictly manages the credit period of accounts receivables and collects them in a timely manner, strictly selects suppliers' access qualifications, and continuously and effectively makes assessment and evaluation of the subsequent services. In order to maintain the Group's ability to continue as a going concern, the Group sets annual budgets and makes timely adjustments to the budgets by taking into account changes in economic conditions, annual capital requirements, current and expected profitability and operating cash flows, and monitors the implementation process to prevent the costs incurred in actual implementation from exceeding the budget.

Foreign exchange risk

Fluctuations in exchange rates of Kazakhstan Tenge ("KZT") and United States dollar ("USD") bring foreign currency exchange risk to the Group. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales to and purchases from overseas are denominated in USD. 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 KZT. Compared with the first half of 2019, exchange rates of KZT against RMB fell slightly during the first half of 2020, whereas exchanges rates of USD against RMB increased in general, but the changes did not have a significant impact on the Group's overall business.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities.



Management Discussion and Analysis

Off-balance sheet arrangement

As at 30 June 2020, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 30 June 2020, the Group had capital expenditure commitments of RMB41.6 million, while operating lease commitments were mainly lease of offices, warehouses and equipment with the amount of RMB36.4 million.

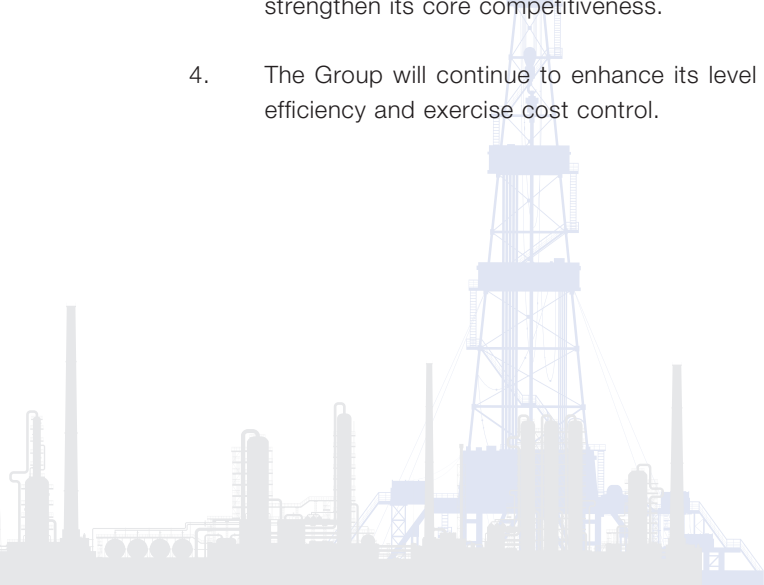
Subsequent event

The COVID-19 outbreak brought unprecedented challenges and added uncertainties to the global economy, which may affect the Group's financial performance and position to certain extent. Management will focus continuous attention on the situation of the COVID-19 and reacted proactively.

SUBSEQUENT WORK PLANS

At present, the international crude oil market is gradually returning to equilibrium. As for the PRC market, the seven-year action plan aiming at expanding reserves and production has set the tone for the long-term development of the oil and gas industry. The oil companies have also identified the goal of expanding oil and gas production in 2020. Centring on the Group's strategy and business objectives for 2020, the Group will continue to strengthen the following aspects in the second half of 2020:

1. The Group will continue to focus on the PRC market to meet the customers' needs, and assist customers to achieve low-cost stable production in oil fields and efficient production increase in gas fields by leveraging on its technological service advantages in the high-end drilling and well completion markets.
2. The Group will continue to expand the offshore oil and gas services market in China and acquire more market share, so as to diversify the customer base.
3. Based on the higher requirements on the technological innovation, informatisation and intelligentisation of oil and gas exploration demanded by the current situation, the Group will persist in the technological innovation and integration, and accelerate the promotion and application of new technologies to further strengthen its core competitiveness.
4. The Group will continue to enhance its level of management and adopt reasonable measures to improve efficiency and exercise cost control.



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 to 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 2020. 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 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the accounting policies and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2020 of the Group with the auditor of the Company.

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

During the six months ended 30 June 2020, 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 2019 ANNUAL REPORT

Mr. Wu Jiwei has served as the vice chairman of Enterprise Financial Management Association of China since 8 August 2020.

Ms. Chen Chunhua has served as an independent non-executive director of Bank of China Limited since 20 July 2020. Ms. Chen resigned as a non-executive director of Vtron Group Co., Ltd. (威創集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002308), since 25 August 2020.

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.

Other Information

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/Chief Executive	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Wang Guoqiang	Beneficiary of trusts (Note 1)	648,484,000 (L)	34.98%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Mr. Ethan Wu	Beneficiary of trusts (Note 2)	648,484,000 (L)	34.98%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Ms. Chen Chunhua	Beneficial owner (Note 3)	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	Beneficial owner (Note 3)	3,500,000 (L)	0.19%
Mr. Li Qiang	Beneficial owner (Note 3)	11,568,000 (L)	0.62%
Ms. Zhang Yujuan	Beneficial owner (Note 3)	2,500,000 (L)	0.13%
Mr. Wu Jiwei	Beneficial owner (Note 3)	15,000,000 (L)	0.81%

Notes:

- 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.
- (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.

Other Information

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 2020, 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 2020 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 2020, 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)	7.41%
Elegant Eagle Investments Limited (Notes 1 and 6)	Interest of controlled corporation	158,972,000 (L)	8.58%
Truepath Limited (Note 6)	Beneficial owner	489,512,000 (L)	26.41%
Red Velvet Holdings Limited (Notes 2 and 6)	Interest of controlled corporation	489,512,000 (L)	26.41%
Credit Suisse Trust Limited (Notes 3 and 6)	Trustee	711,642,242 (L)	38.39%
Greenwoods Asset Management Limited (Notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.42%
Greenwoods Asset Management Holdings Limited (Notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.42%
Jiang Jinzhi (Notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.42%
Unique Element Corp. (Notes 4 and 6)	Interest of controlled corporation	119,000,000 (L)	6.42%

Other Information

Notes:

1. Widescope Holdings Limited and Best Harvest Far East Limited are wholly owned by Elegant Eagle Investments Limited and therefore Elegant Eagle Investments Limited is deemed to be interested in 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 on trust for 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 2020, 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.



Other Information

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 10 June 2020, representing 10% of the shares in issue on the same date (i.e. a total of 185,377,599 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

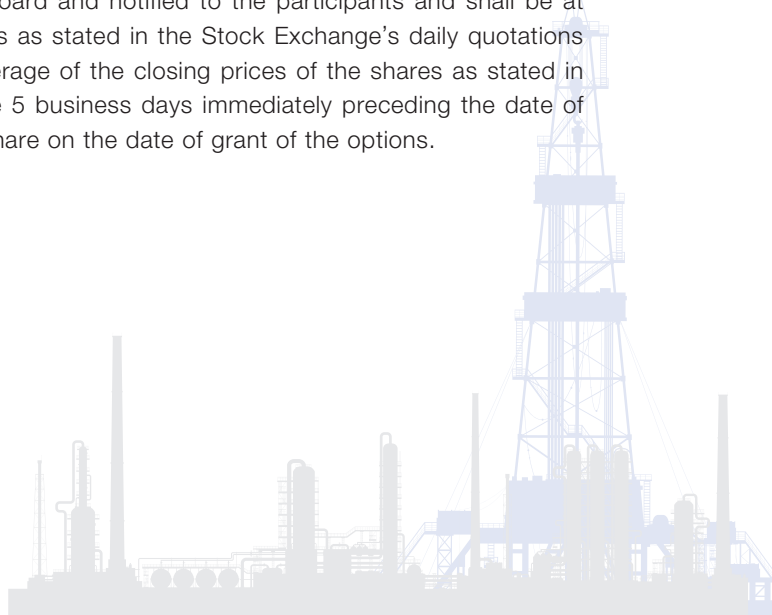
The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

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.



Other Information

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 1 year and 5 months.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue on the date of refreshment of the Share Option Scheme mandate limit on 10 June 2020. 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 six months ended 30 June 2020 are as follows:

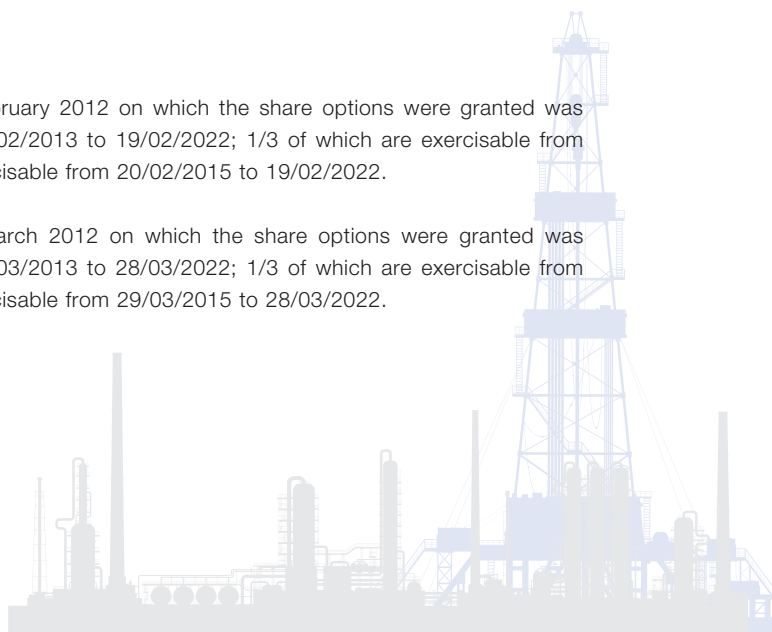
Grantee	Outstanding as at 1 January 2020	Number of share options				Outstanding as at 30 June 2020	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
Directors									
Mr. Wang Guoqiang	1,090,000 (Note 3)	-	-	-	-	1,090,000	13/06/2013	12/06/2023	HK\$4.694
	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

Other Information

Grantee	Outstanding as at 1 January 2020	Number of share options				Outstanding as at 30 June 2020	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
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)	5,864,000 (Note 1)	-	-	-	-	5,864,000	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
	30,210,000 (Note 3)	-	-	-	1,490,000	28,720,000	13/06/2013	12/06/2023	HK\$4.694
	87,083,666 (Note 4)	-	200,000 (Note 7)	-	-	86,883,666	31/08/2016	30/08/2026	HK\$0.490
	51,000,000 (Note 5)	-	-	-	500,000	50,500,000	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	250,989,000	-	200,000	-	1,990,000	248,799,000			

Notes:

- 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.
- 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.



Other Information

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\$0.780 per share.

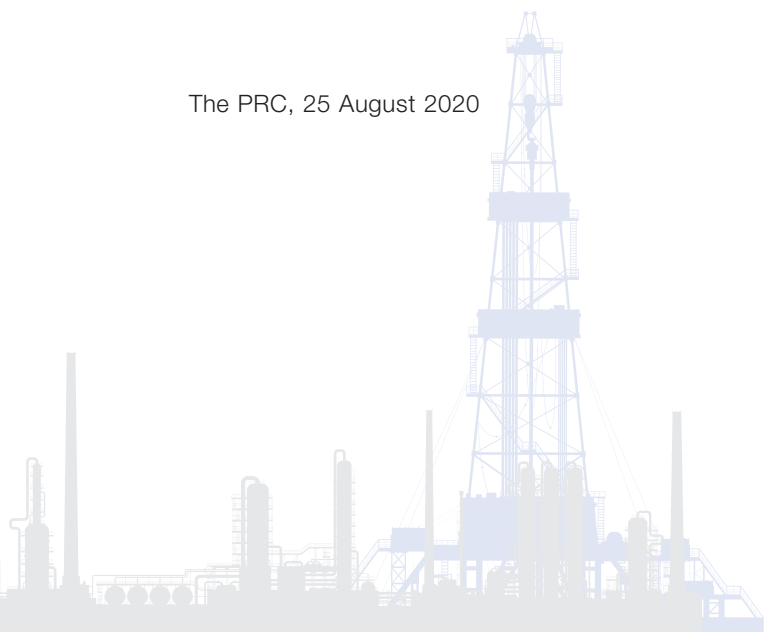
Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2020 under the Share Option Scheme.

INTERIM DIVIDEND

The Board proposed not to declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

The PRC, 25 August 2020



Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

	Notes	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	388,860	403,227
Right-of-use assets	7	100,464	101,113
Intangible assets	6	3,302	3,950
Investments in associates		10,389	10,480
Deferred income tax assets	16	107,524	100,996
Prepayments and other receivables	10	19,972	37,982
Financial assets at fair value through other comprehensive income		11,023	–
		641,534	657,748
Current assets			
Inventories	8	488,358	464,671
Contract assets		39,975	31,524
Trade and note receivables	9	959,070	1,139,823
Prepayments and other receivables	10	341,244	231,787
Restricted bank deposits		27,678	17,556
Cash and cash equivalents		375,556	588,365
		2,231,881	2,473,726
Total assets		2,873,415	3,131,474
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	11	1,178	1,178
Share premium		848,026	847,899
Other reserves	12	321,186	324,192
Retained earnings		675,214	655,757
Currency translation differences		(440,586)	(431,486)
		1,405,018	1,397,540
Non-controlling interests		101,368	102,029
Total equity		1,506,386	1,499,569

Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

	Notes	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
LIABILITIES			
Non-current liabilities			
Borrowings	13	158,253	47,403
Non-current lease liabilities	7	44,924	48,735
Deferred income tax liabilities	16	21,964	21,492
		225,141	117,630
Current liabilities			
Borrowings	13	192,000	233,000
Current portion of long-term borrowings	13	68,472	111,842
Contract liabilities		10,565	22,946
Trade and note payables	14	660,924	910,400
Accruals and other payables	15	111,402	137,736
Current income tax liabilities		73,797	77,541
Current lease liabilities	7	24,728	20,810
		1,141,888	1,514,275
Total liabilities		1,367,029	1,631,905
Total equity and liabilities		2,873,415	3,131,474

The accompanying notes on page 34 to 56 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on page 27 to 56 were approved by the Board of Directors on 25 August 2020 and were signed on its behalf.

Wang Guoqiang
Director

Ethan Wu
Director



Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Revenue	5	609,140	754,747
Other (losses)/gains, net		(3,842)	3,422
Operating costs			
Material costs		(141,407)	(179,205)
Employee benefit expenses	17	(207,868)	(223,747)
Short-term and low-value lease expenses		(32,475)	(38,524)
Transportation costs		(12,195)	(16,990)
Depreciation and amortisation		(39,426)	(39,594)
Technical service expenses		(72,853)	(97,872)
Reversal of impairment of inventories and prepayments (Impairment losses)/reversal of impairment of financial and contract assets		–	706
Others		(48,739)	(60,704)
		(561,106)	(654,586)
Operating profit		44,192	103,583
Finance income		835	1,013
Finance costs		(16,773)	(13,728)
Finance costs, net	19	(15,938)	(12,715)
Profit before income tax		28,254	90,868
Income tax expense	20	(9,627)	(15,642)
Profit for the period		18,627	75,226
Profit is attributable to:			
Owners of the Company		21,352	75,159
Non-controlling interests		(2,725)	67
		18,627	75,226
Earnings per share for the profit attributable to the owners of the Company			
Basic earnings per share (RMB)	22	0.0115	0.0406
Diluted earnings per share (RMB)	22	0.0115	0.0400

The accompanying notes on page 34 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 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Profit for the period		18,627	75,226
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(20,348)	7,150
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		11,502	1,290
Changes in the fair value of equity investments at fair value through other comprehensive income		(8,593)	–
Total comprehensive income for the period		1,188	83,666
Total comprehensive income for the period is attributable to:			
Owners of the Company		3,659	83,650
Non-controlling interests		(2,471)	16
		1,188	83,666
Total comprehensive income for the period		1,188	83,666

The accompanying notes on page 34 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 2020

	Equity attributable to the owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Currency translation differences	Retained earnings	Total			
Notes	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 of 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	

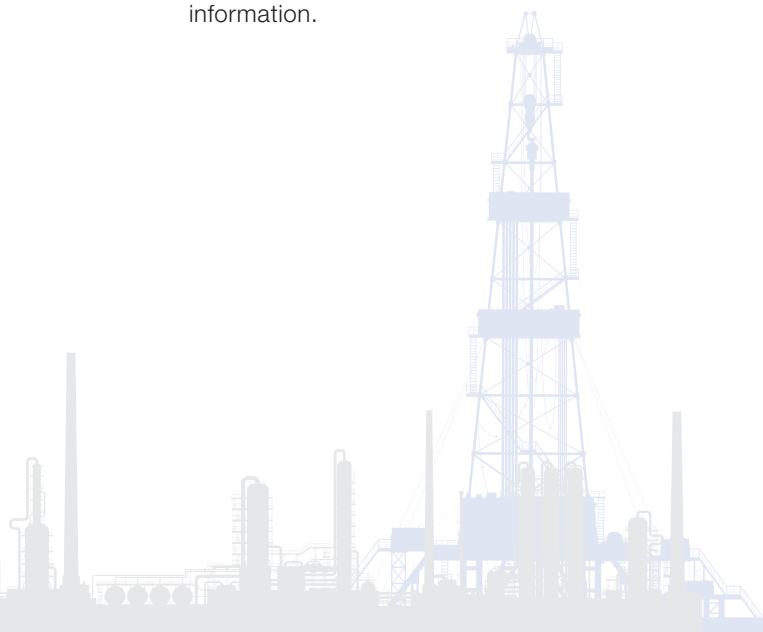


Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Notes	Equity attributable to the owners of the Company							
	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 2019 (Audited)	1,178	847,899	324,192	(431,486)	655,757	1,397,540	102,029	1,499,569
Comprehensive income								
Profit/(loss) for the period	-	-	-	-	21,352	21,352	(2,725)	18,627
Other comprehensive income	-	-	(8,593)	(9,100)	-	(17,693)	254	(17,439)
Total comprehensive income	-	-	(8,593)	(9,100)	21,352	3,659	(2,471)	1,188
Transactions with owners in their capacity as owners								
Share-based payments 17	-	-	3,731	-	-	3,731	-	3,731
Transfer to statutory reserves	-	-	1,895	-	(1,895)	-	-	-
Share options exercised	-	127	(39)	-	-	88	-	88
Capital injection of a subsidiary	-	-	-	-	-	-	1,810	1,810
Total transactions with owners in their capacity as owners	-	127	5,587	-	(1,895)	3,819	1,810	5,629
Balance as at 30 June 2020 (Unaudited)	1,178	848,026	321,186	(440,586)	675,214	1,405,018	101,368	1,506,386

The accompanying notes on page 34 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 2020

	Notes	Six months ended 30 June	
		2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Cash flows from operating activities			
Cash used in operations		(95,464)	(46,447)
Income tax paid		(6,237)	(1,517)
Net cash used in operating activities		(101,701)	(47,964)
Cash flows from investing activities			
Purchases of property, plant and equipment		(76,279)	(76,931)
Purchases of financial assets at fair value through other comprehensive income		(19,616)	–
Increase in restricted bank deposits		(10,122)	(15,431)
Interest received		651	935
Dividends received from an associate		82	–
Proceeds from disposal of property, plant and equipment		19	82
Purchases of intangible assets		(455)	(9)
Net cash used in investing activities		(105,720)	(91,354)
Cash flows from financing activities			
Proceeds from borrowings		236,566	179,543
Repayments of borrowings		(211,476)	(107,572)
Interest paid		(14,113)	(12,987)
Principal elements of lease payments		(8,710)	(7,187)
Payments of financing fee and deposits		(7,480)	(4,080)
Contributions from non-controlling interests		1,810	–
Proceeds from exercise of share options		88	889
Acquisition of non-controlling interests		–	(515)
Net cash (used in)/generated from financing activities		(3,315)	48,091
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		588,365	353,638
Exchange (losses)/gains on cash and cash equivalents		(2,073)	15
Cash and cash equivalents at end of the period		375,556	262,426

The accompanying notes on page 34 to 56 are an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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. Ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 23 December 2011.

The Company is principally engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in provision of oil-field services including drilling, well completion, reservoir and the manufacturing of oilfield services related products mainly in the People’s Republic of China (the “PRC”) and overseas. The ultimate controlling parties of the Group are Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (吳東方) (collectively referred to as the “Controlling Shareholders”).

The interim condensed consolidated financial information is presented in thousands of Renminbi Yuan (the “RMB”), unless otherwise stated, and is approved for issue by the Board of Directors on 25 August 2020.

These interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, 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.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2019 except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

The following amended standards became applicable for the current reporting period:

- | | |
|---|--------------------------------|
| • Amendments to IAS 1 and IAS 8 | Definition of Material |
| • Amendments to IFRS 3 | Definition of a Business |
| • Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |

These amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by 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 2019.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

5. SEGMENT INFORMATION

The chief operating decision-makers (“CODM”) have 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.

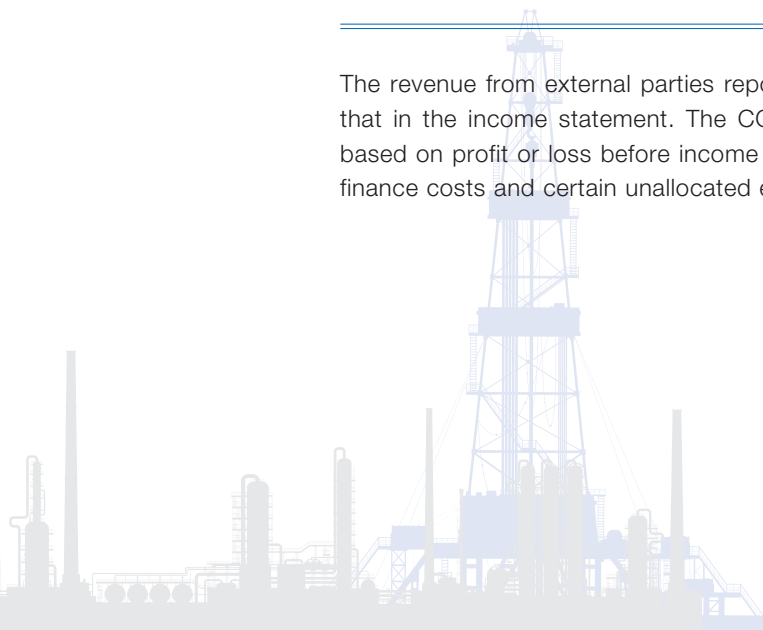
They are so managed according to different natures of products and services. Most of these entities are engaged in just single business, except for a few entities which deal with diversified operation. Financial information of these entities has been separated to present discrete segment information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

(a) Revenue

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Drilling	185,973	312,219
Well completion	195,247	196,356
Reservoir	227,920	246,172
	609,140	754,747

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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the six months ended 30 June 2020 and 2019 are as follows:

	Drilling	Well completion	Reservoir	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2020 (Unaudited)				
Revenue from external customers	185,973	195,247	227,920	609,140
Time of revenue recognition				
– At a point in time	–	167,606	34,362	201,968
– Over time	185,973	27,641	193,558	407,172
EBITDA	23,591	57,538	56,998	138,127

	Drilling	Well completion	Reservoir	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2019 (Unaudited)				
Revenue from external customers	312,219	196,356	246,172	754,747
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
EBITDA	69,486	61,230	64,487	195,203

The segment information on total assets as at 30 June 2020 and 31 December 2019 are as follows:

	Drilling	Well completion	Reservoir	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2020 (Unaudited)	765,844	859,936	471,707	2,097,487
As at 31 December 2019 (Audited)	799,572	979,055	534,114	2,312,741

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
EBITDA for reportable segments	138,127	195,203
Unallocated expenses		
– Share-based payments (<i>Note 17</i>)	(3,731)	(8,589)
– Other (losses)/gains, net	(3,842)	3,422
– Unallocated overhead expenses	(46,936)	(46,859)
	(54,509)	(52,026)
	83,618	143,177
Depreciation and amortisation	(39,426)	(39,594)
Finance income	835	1,013
Finance costs	(16,773)	(13,728)
Profit before income tax	28,254	90,868



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

The following table shows revenue by geographical segment which is based on where the customer is located:

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Revenue		
PRC	437,251	468,030
Kazakhstan	106,491	139,515
Canada	27,397	23,258
Indonesia	17,765	24,284
Middle East	9,458	20,170
Turkmenistan	8,215	78,260
Others	2,563	1,230
	609,140	754,747

The following table shows the non-current assets other than deposits and other receivables, investments in associates, deferred income tax assets and financial assets at fair value through other comprehensive income by geographical segment according to the country of domicile of the respective entities in the Group:

	30 June	31 December
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Audited
Non-current assets		
PRC	348,233	368,787
Kazakhstan	58,675	61,273
Middle East	40,403	42,390
Turkmenistan	28,453	32,611
Singapore	21,050	23,080
Canada	10,554	16,232
Indonesia	27	239
Others	3,969	426
	511,364	545,038

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
Six months ended 30 June 2020 (Unaudited)		
Net book value		
Opening amount (Audited)	403,227	3,950
Additions	20,980	760
Depreciation and amortisation	(30,792)	(1,364)
Disposals	(1,272)	–
Exchange differences	(3,283)	(44)
Closing amount as at 30 June 2020 (Unaudited)	388,860	3,302
Six months ended 30 June 2019 (Unaudited)		
Net book value		
Opening amount (Audited)	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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

7. LEASES

This note provides information for leases where the Group is a lessee.

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Right-of-use assets		
Property, plant and equipment	76,232	77,761
Land use rights*	24,232	23,352
	100,464	101,113
Lease liabilities		
Current lease liabilities	24,728	20,810
Non-current lease liabilities	44,924	48,735
	69,652	69,545

* The Group's land use rights represent lease prepayments for the leasehold land in the PRC for a period of 50 years. As at 30 June 2020, land use rights have a remaining period of 42 years.

Additions to the right-of-use assets during the six months ended 30 June 2020 were RMB13,636,000.

		Six months ended 30 June	
	Notes	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Depreciation charge of right-of-use assets			
Property, plant and equipment		9,639	8,221
Land use rights		330	308
	18	9,969	8,529
Interest expense (included in finance costs)	19	1,544	1,813
Expense relating to short-term leases		32,445	38,504
Expense relating to leases of low-value assets that are not shown above as short-term leases		30	20

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

7. LEASES (CONTINUED)

The total cash outflow for leases during the six months ended 30 June 2020 was RMB42,729,000.

Cash outflow for payments of principal elements of lease, interest expense of lease and short-term and low-value lease were RMB8,710,000, RMB1,544,000 and RMB32,475,000 respectively.

8. INVENTORIES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Project materials and consumables	450,567	470,327
Project-in-progress	87,596	44,149
	538,163	514,476
Less: provision for impairment	(49,805)	(49,805)
	488,358	464,671

9. TRADE AND NOTE RECEIVABLES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Trade receivables	909,056	1,090,420
Less: loss allowance	(95,147)	(88,607)
Trade receivables – net	813,909	1,001,813
Note receivables	145,161	138,010
	959,070	1,139,823



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

9. TRADE AND NOTE RECEIVABLES (CONTINUED)

- (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 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Up to 6 months	511,509	936,561
6 months – 1 year	333,601	159,193
1 – 2 years	100,639	30,794
2 – 3 years	12,388	12,753
Over 3 years	96,080	89,129
Trade and note receivables, gross	1,054,217	1,228,430
Less: loss allowance	(95,147)	(88,607)
Trade and note receivables, net	959,070	1,139,823

- (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)(i)(ii).

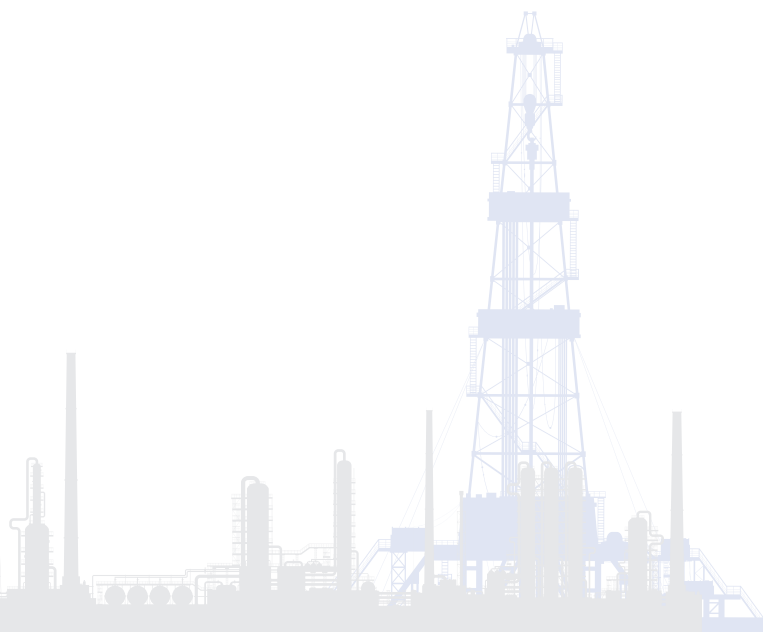


Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

10. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Current		
Advances to suppliers	130,522	78,054
Prepayment for taxes	19,549	16,040
Less: loss allowance	(2,909)	(2,909)
Total non-financial assets	147,162	91,185
Deposits and other receivables	114,102	61,224
Receivable relating to disposal of certain equipment	83,650	83,140
Less: loss allowance	(3,670)	(3,762)
Total financial assets	194,082	140,602
	341,244	231,787
Non-current		
Advances to suppliers	18,738	36,748
Deposits and other receivables	1,234	1,234
	19,972	37,982
Total	361,216	269,769



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

11. SHARE CAPITAL

	Number of shares (Thousands)	Share capital RMB'000
Authorised:		
Ordinary shares of USD0.0001 each as at 30 June 2020 and 31 December 2019	5,000,000	3,219
Issued and fully paid:		
Ordinary shares of USD0.0001 each		
As at 31 December 2019 (Audited)	1,853,576	1,178
Add: Share options exercised	200	–
As at 30 June 2020 (Unaudited)	1,853,776	1,178

12. OTHER RESERVES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Merger reserves	(148,895)	(148,895)
Share-based payments	196,214	192,522
Statutory reserves	74,041	72,146
Capital reserves	208,419	208,419
Other comprehensive income	(8,593)	–
	321,186	324,192

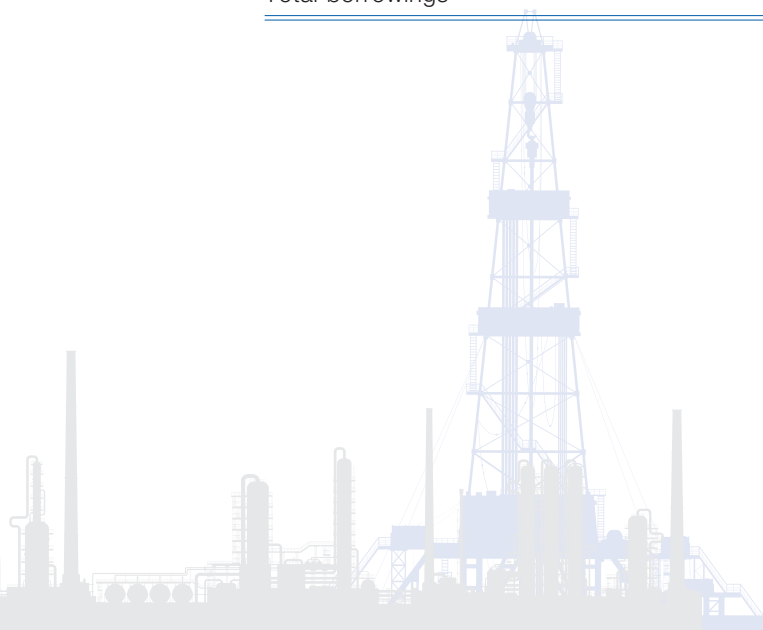


Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

13. BORROWINGS

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Non-current:		
Secured bank borrowings (a)(i)	121,457	26,890
Secured loans from a third party institution (b)	36,589	20,513
Unsecured bank borrowings (a)(i)	207	–
	158,253	47,403
Current:		
Short-term bank borrowings – Secured (a)(ii)	192,000	233,000
	192,000	233,000
Current portion of long-term borrowings:		
Secured bank borrowings (a)(i)	26,798	87,804
Secured loans from a third party institution (b)	41,674	24,038
	68,472	111,842
Total borrowings	418,725	392,245



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

13. BORROWINGS (CONTINUED)

Notes

(a) Bank borrowings

- (i) As at 30 June 2020, long-term secured bank borrowings totalling RMB5,255,000 (2019: RMB5,694,000), comprising non-current portion of RMB4,457,000 (2019: RMB4,890,000) and current portion of RMB798,000 (2019: RMB804,000), are repayable by annual installments through January 2026 and bear an effective interest rate of 4.89% per annum (2019: 5.38%) and are secured by a right-of-use asset and the guarantee of the Company.

As at 30 June 2020, the long-term secured bank borrowings totalling RMB143,000,000 (2019: RMB109,000,000), comprising non-current portion of RMB117,000,000 (2019: RMB22,000,000) and current portion of RMB26,000,000 (2019: RMB87,000,000), are repayable by installments through February 2023 and bear effective interest rate of 6.0% to 6.60% (2019: 6.08% to 6.60%) per annum, and are secured by the collection right of trade receivables of selected service contracts of respective borrowers.

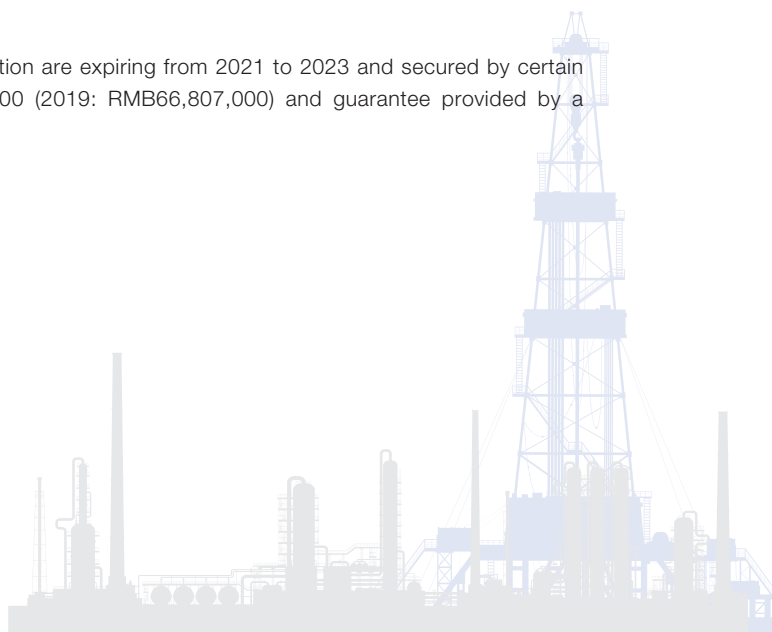
As at 30 June 2020, long-term bank borrowings totalling RMB207,000 are repayable by 2022 and bear no interest.

- (ii) As at 30 June 2020, short-term secured bank borrowings totalling RMB172,000,000 (2019: RMB193,000,000) are repayable within one year and bear interest rate of 6.00% to 6.20% per annum (2019: 6.00% to 6.20%) and are secured by the collection right of trade receivables of selected service contracts of respective borrowers.

As at 30 June 2020, short-term secured bank borrowings totalling RMB20,000,000 (2019: RMB40,000,000) are repayable in one year with interest rate of 4.77% (2019: 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 RMB20,069,000 (2019: RMB20,309,000) and an employee of the Group with personal guarantee.

(b) Secured loans from a third party institution

The Group's loans from a third party financial institution are expiring from 2021 to 2023 and secured by certain machinery with carrying amount of RMB118,478,000 (2019: RMB66,807,000) and guarantee provided by a subsidiary of the Group.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

14. TRADE AND NOTE PAYABLES

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

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Up to 6 months	312,210	686,623
6 months to 1 year	210,570	68,286
1 – 2 years	51,281	82,090
2 – 3 years	26,805	15,015
Over 3 years	60,058	58,386
	660,924	910,400

15. ACCRUALS AND OTHER PAYABLES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Interest payable	3,143	3,230
Other payables	41,266	38,700
Payroll and welfare payable	47,687	55,021
Taxes other than income tax payable	19,306	40,785
	111,402	137,736



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

16. DEFERRED INCOME TAXATION

The movements in deferred income tax assets and liabilities during the six months ended 30 June 2020 and 2019, without taking into consideration offsetting the balances with the same tax jurisdiction, is as follow:

Deferred income tax assets

	Six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Opening balance at 1 January	100,996	131,380
Credit/(charged) to income statement (<i>Note 20</i>)	6,700	(9,193)
Currency translation difference	(172)	(365)
Closing balance at 30 June	107,524	121,822

Deferred income tax liabilities

	Six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Opening balance at 1 January	21,492	18,642
Charged to income statement (<i>Note 20</i>)	472	1,248
Closing balance at 30 June	21,964	19,890



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

17. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Wages, salaries and allowances	177,156	177,751
Housing benefits	7,545	6,988
Pension costs(a)	14,651	25,145
Share-based payments	3,731	8,589
Welfare and other expenses	4,785	5,274
	207,868	223,747

- (a) During the six months ended 30 June 2020, as a result of COVID-19 outbreak, certain provincial government authorities in the PRC have approved temporary relief of the Group's contribution to the PRC government-sponsored defined-contribution pension plans for specified periods.

18. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Losses/(gains) on disposal of property, plant and equipment	1,247	(967)
Sales tax and surcharges	2,014	2,225
Depreciation	38,062	35,524
– Right-of-use assets	9,969	8,529
– Property, plant and equipment	28,093	26,995
Amortisation of intangible assets	1,364	4,070



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

19. FINANCE COSTS, NET

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Finance income:		
– Interest income on short-term bank deposits	651	935
Net foreign exchange gains on financing activities	184	78
Finance income	835	1,013
Interest expense:		
– Bank borrowings	(10,398)	(8,090)
– Interest paid for lease liabilities	(1,544)	(1,813)
– Bank charges and others	(1,271)	(2,451)
– Secured loans from a third party institution	(3,560)	(1,374)
Finance costs	(16,773)	(13,728)
Finance costs, net	(15,938)	(12,715)



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

20. INCOME TAX EXPENSE

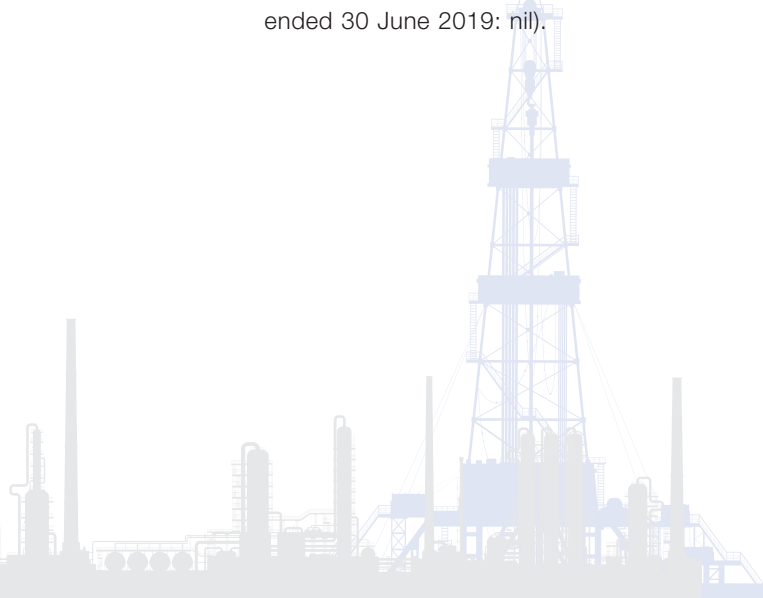
	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Current income tax		
– PRC	1,318	949
– Overseas	14,537	4,252
	15,855	5,201
Deferred income tax	(6,228)	10,441
Income tax expense	9,627	15,642

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 2020 varies from 5% 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 2020, 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 2020 (for the six months ended 30 June 2019: nil).



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

22. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to equity holders of the Company (RMB'000)	21,352	75,159
Weighted average number of ordinary shares in issue (thousands)	1,853,773	1,849,466
Basic earnings per share (RMB)	0.0115	0.0406

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The share options in issue have not been included in the calculation of the diluted earnings per share, as these share options had no dilutive effect during the six months ended 30 June 2020.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

22. EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	Six months ended 30 June	
	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
Earnings		
Profit attributable to equity holders of the Company	21,352	75,159
Weighted average number of ordinary shares in issue (thousands)	1,853,773	1,849,466
Adjustment for:		
– Share options (thousands)	–	27,415
	1,853,773	1,876,881
Diluted earnings per share (RMB)	0.0115	0.0400

23. COMMITMENTS

(a) Capital commitments

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

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
Property, plant and equipment	41,604	46,410



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

23. COMMITMENTS (CONTINUED)

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

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

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
No later than 1 year	36,382	3,111
Later than 1 year and no later than 5 years	17	–
	36,399	3,111

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.

(a) Transactions with related parties

(i) Sales of services

	Six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
An associate	142	–

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Balances with related parties

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Receivables due from an associate	151	–

(b) 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	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Salaries and other short-term benefits	2,626	3,657
Share-based payments	2,023	3,051
Retirement benefits and others	323	508
	4,972	7,216

25. SUBSEQUENT EVENT

The COVID-19 outbreak brought unprecedented challenges and added uncertainties to the global economy, which may affect the Group's financial performance and position to certain extent. Management will focus continuous attention on the situation of the COVID-19 outbreak and reacted proactively.

