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

2023 INTERIM REPORT

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Corporate Information

THE BOARD

Executive Directors

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

Non-Executive Directors

Mr. Wu Jiwei
Ms. Chen Chunhua

Independent Non-Executive Directors

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Ma Xiaohu

AUDIT COMMITTEE

Mr. Wu Kwok Keung Andrew *(Chairman)*
Ms. Chen Chunhua
Mr. Ma Xiaohu

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. Lai Siu Kuen

COMPANY SECRETARY

Ms. Lai Siu Kuen *(FCG, HKFCG)*

COMPANY WEBSITE

www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE 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

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL COUNSEL

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
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 2023, emerging from the shadow of the COVID-19 pandemic (the "Pandemic") worldwide, the global economy entered the periods of recovery and adjustments after the Pandemic, with further recovery of global trade and investment and rapid growth in economies in Southeast Asia and other regions. On the other hand, against headwinds including the Russia-Ukraine conflict, elevated inflation, tighter financial conditions and the Pandemic, the trend of world economy in 2023 remains uncertain. In the process of global energy transition, international oil companies have increased the investment in low-carbon businesses while maintaining the enterprising spirit. Demands for oil and natural gas sustained a sound growth momentum. Increase in capital expenditure from the upstream exploration was driven by lack of flexibility of the crude oil supply and continuous growth in oil price at a medium and high rate and therefore the oil-field service industry is rising. Meanwhile, as the oil-field service industry is constantly confronted with challenges, including technology updates and upgrades, environmental protection, market competition and etc., research and development and innovation are always necessary for the fulfilment of the market's changing demands and improved technical standards.

During the Period, the Group recorded revenue of RMB843.1 million, representing an increase of RMB110.3 million, or 15.0% from the same period of the previous year; and recorded a profit for the Period of RMB6.8 million, representing a decrease of RMB1.2 million or 15.1% as compared with the same period of the previous year. In terms of revenue by region, revenue from the PRC market amounted to RMB493.6 million, representing an increase of RMB0.8 million, or 0.2% as compared with the same period of the previous year, and accounted for 58.6% of the total revenue. Revenue from the overseas markets amounted to RMB349.4 million, representing an increase of RMB109.5 million, or 45.6% as compared with the same period of the previous year, and accounted for 41.4% of the total revenue.

In the first half of 2023, the Group adopted the following measures to cope with the new situation and new challenges faced by the oil-field service industry: firstly, continued to develop regional markets and actively explore emerging markets with customer demand as the guiding principle. Under the background of accelerating energy transformation by customers, the Group continued to integrate advantageous resources, improve business layout from the strategic perspective of diversified industrial construction, comprehensively promote the expansion of emerging markets and low-carbon projects, and promote the coordinated development of traditional business and new energy business. Secondly, the Group continued to implement the development strategy of "technology-driven development" focused on actual production demand of customers and promoted the development and improvement of the Group's technical capabilities through various channels such as independent research and development, technology introduction and integration of technical resources. Thirdly, the Group actively promoted the construction of environmental, social and corporate governance mechanisms; established safety and environmental protection management while strengthening risk control, continuously enhancing its ability to resist risks and maintain sustainable development; continued to implement refined management, deepened efforts to broaden sources of income while reducing expenditure, reduced costs while increasing efficiency, and continued to improve management efficiency.

The Group has been upholding prudent fiscal policies, maintained a stable financial structure and adhered to the asset-light operating strategy, which enabled the Group to maintain stronger risk resistance capabilities and enjoy more flexibility during the process of revolution of the industry.

Management Discussion and Analysis

REVENUE ANALYSIS

During the Period, the Group recorded revenue of RMB843.1 million, representing an increase of RMB110.3 million or 15.0% from the same period of the previous year. The analysis of the Group's revenue by business segments are as follows:

	Six months ended 30 June		
Revenue	**2023**	2022	Change
	RMB'000	*RMB'000*	*(%)*
Reservoir	**324,718**	297,429	9.2%
Drilling	**239,147**	179,471	33.3%
Well completion	**192,897**	172,616	11.7%
Others	**86,297**	83,261	3.6%
Total	**843,059**	732,777	15.0%

Revenue from reservoir segment amounted to RMB324.7 million, up by RMB27.3 million or 9.2% from the same period of the previous year, accounting for 38.5% of the total revenue. Revenue from drilling segment amounted to RMB239.1 million, up by RMB59.7 million or 33.3% from the same period of the previous year, accounting for 28.4% of the total revenue. Revenue from well completion segment amounted to RMB192.9 million, up by RMB20.3 million or 11.7% from the same period of the previous year, accounting for 22.9% of the total revenue. Revenue from other segments amounted to RMB86.3 million from last year, up by RMB3.0 million or 3.6% from the same period of the previous year, accounting for 10.2% of the total revenue. In terms of proportions, the revenue from the reservoir segment accounts for a larger part of the total revenue and increased compared to the revenue of the same period of the previous year. The revenue contributions from drilling and well completion business segments are comparable and increased compared to the revenue of the same period of the previous year of which the revenue from drilling segment increased significantly compared with the same period of the previous year.

RESERVOIR SERVICE SEGMENT

	Six months ended 30 June		
Revenue from reservoir segment	**2023**	2022	Change
	RMB'000	*RMB'000*	*(%)*
PRC	**206,108**	205,210	0.4%
Overseas	**118,610**	92,219	28.6%
Total	**324,718**	297,429	9.2%

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

Management Discussion and Analysis

During the Period, the Group's reservoir segment recorded revenue of RMB324.7 million, representing an increase of RMB27.3 million or 9.2% as compared to the same period of previous year. Revenue from reservoir segment in the PRC market amounted to RMB206.1 million, representing an increase of RMB0.9 million or 0.4% as compared to the same period of the previous year. As for the overseas reservoir segment, it recorded revenue of RMB118.6 million, representing an increase of RMB26.4 million or 28.6% as compared to the same period of last year. During the Period, the increase in revenue of overseas reservoirs was mainly due to expanded business volume of pressure gauges in Canada and compressor repairs and maintenance as well as dynamic monitoring businesses in Kazakhstan.

DRILLING SERVICE SEGMENT

Revenue from drilling segment	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
PRC	**124,292**	96,284	29.1%
Overseas	**114,855**	83,187	38.1%
Total	**239,147**	179,471	33.3%

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 and drilling fluid services, etc.

During the Period, the Group's drilling segment recorded revenue of RMB239.1 million, representing an increase of RMB59.7 million or 33.3% as compared to the same period of previous year. During the Period, revenue from drilling segment in the PRC market amounted to RMB124.3 million, representing an increase of RMB28.0 million or 29.1% as compared to the same period of previous year. Such increase was mainly attributable to the increase in drilling businesses in domestic coalbed methane. As for drilling segment in overseas market, it recorded revenue of RMB114.9 million, representing an increase of RMB31.7 million or 38.1% as compared to the same period of previous year. The growth was attributable to the increase in workover operations in Kazakhstan.

WELL COMPLETION SERVICE SEGMENT

Revenue from well completion segment	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	*(%)*
PRC	**115,945**	129,529	(10.5%)
Overseas	**76,952**	43,087	78.6%
Total	**192,897**	172,616	11.7%

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

During the Period, the Group's well completion segment recorded revenue of RMB192.9 million, representing an increase of RMB20.3 million or 11.7% as compared to the same period of previous year. Revenue from well completion segment in the PRC market amounted to RMB115.9 million, representing a decrease of RMB13.6 million or 10.5% as compared to the same period of the previous year. In terms of overseas well completion segment, it recorded revenue of RMB77.0 million, representing an increase of RMB33.9 million or 78.6% as compared to the same period of the previous year. Such increase was mainly due to the increase in well completion businesses in Turkmenistan and Indonesia.

OTHER SEGMENT

	Six months ended 30 June		
Revenue from other segments	**2023** ***RMB'000***	2022 *RMB'000*	Change *(%)*
PRC	**47,285**	61,831	(23.5%)
Overseas	**39,012**	21,430	82.0%
Total	**86,297**	83,261	3.6%

Currently, revenue from other segments of the Group mainly includes revenue generated from the sale of natural gas and the sale of quality edible alcohol.

During the Period, revenue from other segments amounted to RMB86.3 million, representing an increase of RMB3.0 million or 3.6% as compared to the same period of previous year. Other revenue from the PRC market amounted to RMB47.3 million, representing a decrease of RMB14.5 million or 23.5% as compared to the same period of previous year, which was mainly due to the decrease in sales business of natural gas in Xinjiang. Other revenue from overseas markets amounted to RMB39.0 million, representing an increase of RMB17.6 million or 82.0% as compared to the same period of previous year, which was generated from the sales business of edible alcohol project in Ghana, Africa.

Management Discussion and Analysis

MARKET ENVIRONMENT

Entering into 2023, the impacts of geopolitical factors have been reduced, world crude oil price has gone up and down but remained at medium and high rate growth; more apparently, the resumption of exploration and development by international oil companies has a pull effect on the oil-field service industry. Year-on-year increase in net profits of three major international oil-field service companies has been significantly promoted in the first half year. The British Petroleum ("BP") World Energy Outlook 2023 emphasizes that fossil energy will continue to play an important role in the energy mix; international oil companies in Europe reckon that oil and natural gas will continue to be a driver of economic growth in decades, advocating increase in energy security and energy transition, staying more committed to the energy transition path to "oil and gas plus low carbon and carbon-negative technology", which has been advocating and implementing so that the willingness to pursue organic growth in oil and gas businesses will be stronger. The Chinese market, as the world's largest energy consumer, developing the potential of increasing oil and gas production and supply and effectively guaranteeing national energy security are always the priorities of China's energy development. As China's energy development is on the new stage of speeding up the planning and development of a system for new energy sources, oil and gas resources are indispensable and the bottom line of energy security needs to be strengthened for now and in the future. Oil-field service enterprises are expected to continuously benefit from increasing bets on oil-field services, petroleum engineering and other fields, reinforcing existing business with advantages, and proactively exploring the emerging sectors, such as technology service.

Overseas Markets

The Group's overseas markets mainly cover Central Asia such as Kazakhstan and Turkmenistan, Southeast Asia such as Indonesia and Singapore, North America such as Canada, Middle East and parts of Africa. During the Period, the Group's overseas projects have pursued progress while ensuring stability and making new breakthroughs. Kazakhstan of Central Asia, as the Group's key overseas market, has been making significant and constant contributions to output and profits to the Group. Profit-related pressure on oil-field service enterprises is caused by the lingering effects of the Russia-Ukraine war and drastically declining profitability of customers. Meanwhile, labour costs, overheads and other expenses in the region have substantially risen due to inflation. Through measures such as raising prices and efficiency, improving the completion rate of contracts, actively expanding new markets and controlling cost increases, a solid foundation for the Group's performance has been laid. The project department in Turkmenistan fully leverages its strengths to actively seek the best way to enter into the market. Apart from consolidating the existing market position and projects, the project department is expanding promising markets. As the scale of overall business order in the Middle East is expanding, the contract profitability is significant. Business service-type currently has covered a variety of fields, including workover, completion tools, oil test and oil production test, wireline operation, etc. Recognition of service quality from customers is high and other business lines have made progress. The Ugandan Bonded Warehouse in Africa funded by us has obtained the business license from the government and proactively participated in bidding for local warehouse leasing and other projects. After stable and smooth production and operation in the first half of 2023, with optimized production equipment and refined expertise, the production capacity of the Ghana Alcohol Factory has been improved. The alcohol quality has apparently improved and each indicator relating to alcohol is adequate for strict standards of large-scale domestic and foreign liquor companies in Ghana, the distribution channel has been expanded in the future.

Management Discussion and Analysis

Revenue from Kazakhstan accounted for 47.6% of the Group's revenue from the overseas markets. Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. Revenues in Canada, Indonesia and the Middle East all increased to varying degrees.

PRC Market

In the face of a complex and ever-changing macro-environment and many difficulties and challenges, China has always regarded energy security and security as the "National Priorities" that cannot be ignored at all time. Domestic oil companies continue to increase oil and gas exploration and development, increase reserves and production, and help ensure national energy security to a new level. In July 2023, the National Energy Administration held a work promotion meeting to vigorously enhance oil and gas exploration and development. The meeting requested that confidence should be strengthened, and oil and gas reserves and production should be pushed to a new level. China will make every effort to promote the construction of a national oil and gas supply guarantee base and increase investment, centralized exploration, and large-scale production in resource-rich areas. China will strengthen deep-sea oil and gas exploration and development, accelerate the construction of a maritime power, accelerate the integration of oil and gas exploration and development with new energy, increase the promotion and application of "Carbon Capture, Utilization and Storage" ("**CCUS**") technology, and actively and steadily promote the green and low-carbon transformation of the oil and gas industry. The increasingly stringent policies has provided strong support for meeting the growth of domestic oil and gas demand, and also provided a good guarantee for the improvement of the business volume of the domestic oil and gas services industry. However, oil companies are still vigorously promoting quality and efficiency improvement, and strengthening cost control so that the oil service prices are still hovering at a low level, and the profits of oil services companies continue to be squeezed.

In this context, the Group has established a reasonable presence and seeks to seize the opportunity to expand its operations in Xinjiang market. In the first half of 2023, the oil and gas production of the Tarim Oilfield in Xinjiang reached 17.65 million tons, hitting a record high, which further strengthened the strategic position of the Tarim Oilfield as an important energy production base in China. Xinjiang has always been one of the major markets of the Group, and the Tarim Oilfield, Xinjiang Oilfield of PetroChina and Sinopec Northwest Petroleum Bureau are the cornerstones of Xinjiang market. During the Period, the Group gave support to the scientific exploration wells in the Tarim Basin with its undaunted will and solid technical strength, and will undertake most of the pressure testing and well completion work. The strength, quality and efficiency of well testing were highly recognized by customers. This year, the Group renewed the strategic alliance agreement with Northwest Bureau and became its priority cooperation unit for well testing of key wells and high-difficulty wells. In 2023, customers will still exercise effective price control and fine management, and promote cost reduction and efficiency enhancement, transferring the development mode from investment-driven to technological innovation-driven, resulting in low price of engineering services and fierce market competition. The Group seized opportunities to expand business, and affirmed its main direction through continuous technological innovation and resolution of difficulties, so as to ensure an increase in workload. During the Period, the Company's well completion business in Xinjiang continued to maintain its leading position in the regional market. In terms of well workover and salvage technology services, the Company has been ahead of the Tarim Oilfield, Shunbei Oilfield and Qinghai Oilfield in respect of smallhole complex salvage business, ultra-deep open hole horizontal well dredging business and other businesses achieved delighting results.

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During the Period, the Group continued to consolidate the existing market share of the well completion business in the Sichuan and Chongqing markets while exploring new markets, and such business maintained sustainable growth as a whole. Among them, the fibre project in Chongqing broke the bottleneck of the Group's fibre business in the Sichuan and Chongqing region and laid the foundation for the expasion of the wellhead market in the future. In respect of the treatment for casing damaged well casings for Dagang Shale Oil Block, the Group has completed the technical preparation and implementation of pilot test wells. In response to the needs of customers, the Group has cooperated with higher petroleum universities and enterprises to develop and apply new technologies, and has successfully implemented chemical plugging operations for one well. In addition, the Group has been actively exploring business cooperation with CNOOC in recent years. This year marked the third year of the Group signing contract with China United Coalbed Methane Corp. Ltd. ("CUCBM") for drilling general contracting project in tight gas block. The Group helped the project department overcome the difficulties, provided customers with high-quality engineering services, and made positive contributions to reducing costs and increasing efficiency. The CUCBM drilling general project has been awarded the honorary title of "Outstanding Contractor" for two consecutive years, receiving the full recognition and high recognition from customers. During the Period, the Group once again won the bid for the procurement project of temperature-resistant and salt-tolerant heavy oil flow improver of CNOOC, which marked the establishment of a stable cooperative relationship between the Group and CNOOC in terms of production increase business and laid a solid foundation for expanding other markets of CNOOC.

In terms of new energy projects, the CCUS project of CHN Energy Yulin Chemical Co., Ltd., a subsidiary of CHN Energy Investment Group, is undergoing. Currently, the target area of carbon sequestration is identified, and geophysical prospecting is about to start. The Group will continue to actively seize growth opportunities and steadily facilitate the expansion of CCUS market.

RESEARCH AND DEVELOPMENT ("R&D") AND MANUFACTURING

From the aspects of R&D and innovation, based on the actual needs of production from customers, a series of new technology solutions have been developed during the Period. Outstandingly, a series of self-developed petroleum engineering integration technologies have resolved considerable challenges relating to production, achieving quality improvement, costs reduction and increased efficiency from customer's perspective. Major results of R&D and manufacturing are as follows:

In terms of oil reservoirs, in response to the productivity of medium-term production materially affected by the water produced from the fractured-cavity type carbonate rock reservoirs in Tarim Basin, the Group completed dynamic monitoring and analysis modelling on typical wells and concluded a set of dynamic monitoring methods applied to the fractured-cavity type carbonate rock reservoirs through specific in-depth study on interpretation analysis technology for dynamic monitoring method of fractured-cavity reservoir and dynamic monitoring method for comprehensive evaluation of characteristics of fractured-cavity reservoir; attributing to which the Group has an adequate understanding of water breakthrough, remaining oil distribution and changes of oil-water interface and timely adjusted production, resulting in improved production and recovery efficiency, which has been highly commended by the customers from oil-field company. Recently, our regional company in Xinjiang engaging in petroleum reservoir engineering has successfully taken constant gradient and continuous production operation under downhole pressure tests on the extremely difficult, deepest and ultrahigh pressure gas well located in Tarim after early rational optimization of production operation and careful preparation of equipment. The Group

Management Discussion and Analysis

recorded an operational depth of 7,984.97 meters, which established the new record, under the condition of wellhead shut-in static pressure up to 98.2MPa. That provides basis to calculate and acquire parameters in reservoir bed formation of this area, deepen knowledge of geological structure, reserves estimation and preparation of development plan and etc. Also, it demonstrates that the Group made historical and significant breakthrough in the field of production operation test of ultradeep and ultrahigh pressure gas well.

In terms of drilling, with the increasing use of ultra-deep wells, horizontal wells, three-dimensional wells, cluster wells and other complex structural wells in drilling operations, the friction between the drilling tool sets and the well wall increases, which leads to the decrease of the transmission efficiency of weight-on-bit ("**WOB**"), resulting in adverse effects such as a decrease in drilling speed and frequent sticking. Based on the conventional hydraulic vibrator, a screw-type negative pressure pulse hydraulic vibrator was developed by optimizing the structure, improving the material, adjusting the parameters and simulating the installation position. The friction from drill string is greatly reduced after two field trials on site, with the transmission efficiency of WOB increasing by 80%, and the application cost reducing by 30% compared with other types of hydraulic vibrators, which effectively solved the problem of drilling decompression, provided a strong support for the accelerating the drilling speed of wells with complex structures.

In terms of well completion, the Group targeted the demand on 25K downhole safety valve and small size, large drift diameter permanent packer for 10K ultra-high temperature as required by well completion for ultra-deep and ultra-high pressure well in Xinjiang, a subsidiary of the Group, independently developed 25K downhole safety valve and delivered to customers. 25K downhole safety valve which had been certified by the press tests of rheological property and airtightness conducted by the third testing regulator recently, will be put into use in wells and receives continuous orders specified by customer again. The successful research and development and application of the product was an international initiative, filling the market gap for the product and marking milestone significance for the development of well completion products in manufacturing segment of the Group. The research and development of small size, large drift diameter, permanent packer for 10K ultra-high temperature was also an international initiative. A prototype has been completed, and is now under testing and adjusting stage.

Management Discussion and Analysis

In terms of well workover, with the long-term development and production of a group of small hole high temperature and high pressure deep wells and ultra-deep wells in Kuqa pediment region (庫車山前), Tarim Basin, Xinjiang, the well workover efficiency was low because of quite a few prominent completion string integrity problems, such as serious deformation, rupture, blockage in the pipe, and buried annulus due to comprehensive corrosion of the completion string; and repetitive operations such as complicated grinding, casing milling, and fishing due to the limitation of space gaps when operating slim hole well workover. In response to such situation, the Group analyzed and summarized reasons for the success or failure of the well workover in Kuqa pediment region, Tarim by comparing complex working conditions at home and abroad and investigating existing well workover tools and technologies as well as optimizing a full set of targeted single well workover process control (including WOB, torque, displacement, etc.) and drilling tool sets through carrying out experimental evaluation on two to three kinds of milling shoes and fishing tools used in pediment region. With the transition to high temperature and high pressure slim hole operations, the Group designed tools such as high temperature and strong magnetic drill collars, high-efficiency dislocation milling shoes, hollow milling shoes and thin-walled diamond milling shoes, which solved this problem in one fell swoop, with the efficiency of the workover operation increased by nearly 50% and construction period shortened by around 15 days, and the long-term economic benefits were remarkable.

In the process of exploring the integration and development of traditional oil service and new energy technology, the Group has always adhered to its mission to continuously create value for customers. Based on high-quality and efficient technical services, and guided by the research and development and innovation of technical products, the Group will attain the continuous growth and sustainable development of its businesses.

HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2023, the major details of the human resources work in 2023 are as follows:

1. In terms of strategic manpower allocation, based on the Group's strategic needs, on the one hand, the talent layout should be prepared in advance, and at the same time, the talent structure should be optimized according to the business and operation development;

2. Continued to adopt a versatile talent recruitment and promotion system to improve comprehensive manpower efficiency;

3. Continued to push ahead with performance-oriented management system;

4. Continued to leverage the advantages of the Group's training system by "team development", "culture events" and other activities to restore team cohesion, rebuild team effectiveness; by "management simulation trainings" to effectively improve the management's overall thinking of team management; by "business present master" to target and improve the key staff's ability to business presentation, communication and negotiation, in various departments; by "daily classes" and "high-quality new course express" and other online courses to comprehensively carry out online and offline trainings and talent development projects. In the first half of 2023, the total participants of the Group's training sessions were 63,583, totaling 69,863 training hours cumulatively.

5. Faced the international situation and the impact of the Pandemic, the global business system for human resources shall be continuing to be optimized to ensure the safety of employees.

As of 30 June 2023, the Group had a total of 4,326 employees, representing a decrease of five employees from 4,331 employees as at 31 December 2022. The actual labour costs of the Group in 2023 were controlled within the budget range set at the beginning of this year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group realized a revenue of RMB843.1 million, representing a year-on-year increase of RMB110.3 million, or 15.0% from RMB732.8 million for the same period of the previous year. The increase was mainly due to the expansion of operating activities of the Group.

Other gains/(losses), net

For the six months ended 30 June 2023, the Group recorded other gains, net, of RMB1.7 million, as compared with other losses, net, of RMB1.6 million for the same period of the previous year. The variance was mainly due to fluctuations in exchange rates.

Material costs

For the six months ended 30 June 2023, the Group's material costs amounted to RMB234.9 million, representing a year-on-year increase of RMB36.5 million, or 18.4% from RMB198.4 million for the same period of the previous year. Such increase was mainly due to the increase of the Group's operating business.

Employee benefit expenses

For the six months ended 30 June 2023, the Group's employee benefit expenses were RMB280.6 million, representing a year-on-year increase of RMB14.4 million, or 5.4% from RMB266.2 million for the same period of the previous year. Such increase was mainly due to the increase in the labour costs resulting from the expansion of the Group's operating business.

Short-term and low-value lease expenses

For the six months ended 30 June 2023, the Group recorded short-term and low-value lease expenses of RMB46.2 million, representing a year-on-year increase of RMB0.6 million, or 1.3% from RMB45.6 million for the same period of the previous year.

Transportation costs

For the six months ended 30 June 2023, the Group's transportation costs amounted to RMB12.3 million, representing a year-on-year increase of RMB0.8 million, or 7.0% from RMB11.5 million for the same period of the previous year.

Management Discussion and Analysis

Depreciation and amortisation

For the six months ended 30 June 2023, the Group's depreciation and amortisation was RMB31.5 million, representing a year-on-year increase of RMB1.8 million, or 6.1% from RMB29.7 million for the same period of the previous year. The increase was mainly due to the depreciation provided for purchasing new equipment in order to meet requirements of business growth.

Technical service expenses

For the six months ended 30 June 2023, technical service expenses of the Group were RMB124.0 million, representing a year-on-year increase of RMB54.6 million, or 78.7% from RMB69.4 million for the same period of the previous year. Such increase was mainly due to the expansion of the Group's operating business.

Impairment loss of assets

For the six months ended 30 June 2023, the Group recorded impairment losses of assets of RMB16.4 million, representing a year-on-year increase of RMB9.0 million, or 121.6% from RMB7.4 million for the same period of the previous year. Such increase was mainly due to the Group making provision for bad debts with more prudence.

Others

For the six months ended 30 June 2023, the Group's other operating costs were RMB70.8 million, representing a year-on-year increase of RMB1.9 million, or 2.8%, from RMB68.9 million for the same period of the previous year. The increase was mainly due to the increase of travel expenses and office fees as a result of the gradual recovery of overseas business and increase of manpower.

Operating profit

In view of the above reasons, the Group's operating profit during the Period was RMB28.1 million, as compared to RMB33.9 million for the same period of the previous year.

Finance costs, net

For the six months ended 30 June 2023, the Group's finance costs, net, were RMB15.7 million, representing a year-on-year decrease of RMB5.3 million, or 25.2% from RMB21.0 million for the same period of the previous year. Such decrease was mainly due to the decrease of the Group's loan.

Income tax expense

For the six months ended 30 June 2023, the income tax expense was RMB5.7 million, representing a year-on-year increase of RMB1.0 million, or 21.3% from RMB4.7 million for the same period of the previous year. Such increase was mainly due to the expansion of the Group's operating business.

Management Discussion and Analysis

Profit for the Period

As a result of the explanations above, the Group's profit for the Period was RMB6.8 million, as compared to RMB8.0 million for the same period of the previous year.

Profit attributable to equity holders of the Company

For the six months ended 30 June 2023, the profit attributable to equity holders of the Company was RMB9.3 million, as compared to RMB9.8 million for the same period of the previous year.

Property, plant and equipment

As at 30 June 2023, property, plant and equipment were RMB424.7 million, representing a decrease of RMB5.4 million, or 1.3%, from RMB430.1 million as at 31 December 2022. Such decrease was mainly due to the depreciation of property, plant and equipment.

Right-of-use assets

As at 30 June 2023, the carrying value of right-of-use assets amounted to RMB57.7 million, representing a decrease of RMB3.2 million, or 5.3% from RMB60.9 million as at 31 December 2022. Such decrease was mainly due to the decrease of lease assets and the amortization of the right-of-use assets.

Intangible assets

As at 30 June 2023, intangible assets were RMB15.2 million, representing a decrease of RMB0.7 million, or 4.4%, from RMB15.9 million as at 31 December 2022. The decrease was mainly due to the continuing amortisation of intangible assets.

Deferred income tax assets

As at 30 June 2023, deferred income tax assets were RMB118.9 million, representing an increase of RMB3.6 million, or 3.1% from RMB115.3 million as at 31 December 2022. The increase was mainly due to changes in accounting policies related to income tax.

Prepayments and other receivables

As at 30 June 2023, the non-current portion of prepayments and other receivables was RMB13.6, as compared to RMB0.3 million as at 31 December 2022. The increase was mainly due to the Group's increased project deposits for business expansion. The current portion of prepayments and other receivables was RMB227.7 million, representing an increase of RMB19.1 million, or 9.2% from RMB208.6 million as at 31 December 2022. Such increase was mainly due to the Group's payments to suppliers for the business in the second half year.

Management Discussion and Analysis

Inventories

As at 30 June 2023, inventories were RMB599.4 million, representing an increase of RMB42.7 million, or 7.7% from RMB556.7 million as at 31 December 2022. The increase was mainly due to the expansion of the Group's operating business.

Contract assets, trade and note receivables/contract liabilities, trade and notes payables

As at 30 June 2023, contract assets, trade and note receivables were RMB1,222.4 million, representing an increase of RMB50.3 million, or 4.3% from RMB1,172.1 million as at 31 December 2022. Such increase was mainly due to the increase in revenue during the Period. As at 30 June 2023, contract liabilities, trade and note payables were RMB869.9 million, representing an increase of RMB82.7 million, or 10.5% from RMB787.2 million as at 31 December 2022. Such increase was mainly due to the expansion of the Group's operating business.

Liquidity and capital resources

As at 30 June 2023, the Group's cash and bank deposits, including cash and cash equivalents and restricted bank deposits, were RMB183.4 million, representing a decrease of RMB111.3 million, or 37.8% from RMB294.7 million as at 31 December 2022.

As at 30 June 2023, the Group's short-term borrowings and current portion of long-term borrowings were RMB360.1 million, while the long-term borrowings were RMB67.3 million. As at 31 December 2022, the Group's short-term borrowings and current portion of long-term borrowings were RMB499.5 million, while the long-term borrowings were RMB43.0 million. As at 30 June 2023, the bank borrowings of the Group were mainly denominated in RMB and such borrowings were subject to fixed interest rates.

As at 30 June 2023, the Group's current lease liabilities amounted to RMB6.4 million and the non-current lease liabilities amounted to RMB16.1 million. As at 31 December 2022, the Group's current lease liabilities amounted to RMB11.4 million and the non-current lease liabilities amounted to RMB16.6 million.

As at 30 June 2023, the Group's gearing ratio was 34.8%, representing a decrease of 11.8% as compared with 46.6% as at 31 December 2022. 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 2023, the total number of ordinary shares of the Company in issue was 1,953,775,999.0 shares (31 December 2022: 1,853,775,999.0 shares). As of 30 June 2023, equity attributable to the equity holders of the Company was RMB1,307.5 million, representing an increase of RMB72.7 million, or 5.9% from RMB1,234.8 million as at 31 December 2022.

Significant investment held

As at 30 June 2023, the Group did not hold any significant investment.

Management Discussion and Analysis

Material acquisitions and disposals of subsidiaries and associates

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

Assets pledged to secure bank borrowings

As at 30 June 2023, the Group pledged certain 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 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Right-of-use assets	**3,234**	3,509
Trade and note receivables	**85,400**	146,760

Assets pledged to secure the loans from a third party institution

The Group's loans from a third party institution are expiring from 2023 to 2026 and are secured by certain machinery with a carrying amount of RMB168,135,000 (2022: RMB160,255,000), and guaranteed by a subsidiary of the Group.

Foreign exchange risk

Fluctuations in exchange rate of 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 and purchases from overseas are denominated in USD. As compared to the same period of the previous year, USD against RMB appreciated in the first half of 2023, but did not have significant impacts on the Group's overall business.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2023, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 30 June 2023, the Group had capital expenditure commitments of RMB116.9 million.

SUBSEQUENT WORK PLANS

In the second half of 2023, due to factors such as declined inflation and additional production cuts by "OPEC+", the supply and demand structure of crude oil may improve, and the fundamental support of crude oil will be stable. With the successive introduction of a series of economic stimulus policies, China's economy is expected to recover steadily. At the same time, the pace of interest rate increase by the Federal Reserve is expected to slow down, and the US economic trend may be stronger than expected, thus supporting the global demand for crude oil. In the context of accelerating domestic oil and gas reform, actively and steadily promoting the reform of the upstream, midstream and downstream systems and mechanisms in the oil and gas industry, stable and reliable supply can be ensured; and the deepening of international energy cooperation by "Belt and Road" will enable the oil services industry to fully enjoy the benefits that come along. The Group assesses the current situation and continuously explores new strategic upgrade paths. Focusing on our strategy and business objectives for 2023, the Group will continue to strengthen the following areas in the second half of 2023:

1. The Group will seize the strategic opportunities of energy transformation under the background of carbon neutrality at home and abroad, discovering a new path for integrated development of oil and gas and new energy, and deepening energy cooperation with countries along the "Belt and Road", base itself on the domestic market, expand overseas markets, explore emerging markets and lay out strategic markets; while satisfying customers' demand for "promoting the development of high-end, intelligent and low-carbon for industry chain" and "improving core competitiveness and enhancing core functions", the Group will promote the strategic transformation and upgrading of the Group and expand into new areas in energy with its own advantages as a breakthrough to promote new energy business as the new growth engine of the Group as soon as possible.

2. The Group will continue to focus on the long-term strategy of "technology leading the development of enterprises and innovation driving the bright future", and utilize cutting-edge and advanced technical solutions to satisfy customers' increasing service and emission reduction requirements by empowering sustainable development with technological innovation. While a large number of new technology applications are gradually transforming profit growth points, the Group will continue to research and develop cutting-edge technologies and processes; improve capability to provide oil and gas companies with full business process of centralized, integrated and comprehensive energy technology service solutions in the process of energy transformation. The Group will continue to promote the participation in projects and technologies to effectively enhance market competitiveness, thereby enhancing the market position of the Group.

Management Discussion and Analysis

3. The Group will continue to innovate corporate management ideology, to develop accurate self-development direction; improve the level of management, the business layout, and the ability to resist risks. The Group will continue to actively implement refined management, promote project management, integrate resources to increase quality and efficiency while reducing expenditure and costs, thereby improving profitability. By strengthening the coordination of production organization, the Group will carry out the practice of management and business model innovation to enhance core competitiveness and strengthen personalized development. Through the establishment of a comprehensive risk management and control mechanism and a cost management and control system, the Group will ensure the safety level of cash flow, enhance the flexibility of operation and the ability to resist risks.

4. The Group will continuously forge an echelon of exceptionals comprising high-end technical talents as well as various market talents, pay attention to the development and growth of employees, and accelerate the cultivation of innovative teams and leading talents relying on major technology projects; continue to promote the construction of performance and incentive management system, create a platform with transparency and fairness, inspire employees' enthusiasm, display their capabilities and realize self-worth.

5. The Group will continue to establish a long-term ESG management mechanism to integrate ESG management concept into corporate decision-making and operations. The Group will build a sound internal and external environment for the development of the Group by enhancing its corporate governance capabilities, information disclosure capabilities and social communication capabilities, while fulfilling its social responsibilities for green and low-carbon development.

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 2023. 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 2023.

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 2023 of the Group.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 21 April 2023, the Company entered into the placing agreement with China Galaxy International Securities (Hong Kong) Co., Limited, the placing agent, to procure placees to purchase a total number of the placing shares, being 100,000,000 new shares of the Company, at a price of HK$0.250 per placing share, pursuant to the terms of the placing agreement.

On 2 May 2023, the Company completed the placing and subscription of 100,000,000 placing shares to not less than six placees (the "Placing") with net proceeds of approximately HK$24.62 million. The Company intends to use the net proceeds raised from the Placing for capital expenditure and general replenishment of working capital.

For further details of the Placing, please refer to the announcements of the Company dated 21 April 2023 and 2 May 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Other Information

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE SUBSEQUENT TO THE 2022 ANNUAL REPORT

Mr. Xu Anping has been the Group's consultant since 15 April 2023, and is no longer the vice president of the Group.

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

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

As at 30 June 2023, 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 Directors/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)	651,484,000 (L)	33.34%
	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Ethan Wu	Beneficiary of trusts (Note 2)	651,484,000 (L)	33.34%
	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Ms. Chen Chunhua	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Wu Kwok Keung Andrew	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Li Qiang	Beneficial owner (Note 3)	10,500,000 (L)	0.54%
Ms. Zhang Yujuan	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Wu Jiwei	Beneficial owner (Note 3)	15,500,000 (L)	0.79%
Mr. Ma Xiaohu	Beneficial owner (Note 3)	500,000 (L)	0.03%

Notes:

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

2. (i) Mr. Ethan Wu and his family members are the beneficiaries of Widescope Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 140,372,000 shares of the Company held by Elegant Eagle Investments Limited via Widescope Holdings Limited. (ii) Mr. Wu and his family members are the beneficiaries of True Harmony Trust, a discretionary trust established by Mr. Ethan Wu, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited. (iii) Mr. Ethan Wu is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.

3. Mr. Wang Guoqiang, Mr. Ethan Wu, Mr. Li Qiang, Mr. Wu Jiwei, Ms. Chen Chunhua, Mr. Wu Kwok Keung Andrew, Ms. Zhang Yujuan and Mr. Ma Xiaohu 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 2023, 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 2023 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 2023, 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 Shareholders	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Widescope Holdings Limited (Notes 1 and 6)	Beneficial owner	140,372,000 (L)	7.18%
Elegant Eagle Investments Limited (Notes 1 and 6)	Interest of controlled corporation	161,972,000 (L)	8.29%
Truepath Limited	Beneficial owner	489,512,000 (L)	25.05%
Red Velvet Holdings Limited (Notes 2 and 6)	Interest of controlled corporation	489,512,000 (L)	25.05%
Credit Suisse Trust Limited (Note 3)	Trustee	651,484,000 (L)	33.34%
Greenwoods Asset Management Hong Kong Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.09%
Jiang Jinzhi (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.09%
Invest Partner Group Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.09%

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 140,372,000 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 Widescope Trust and Truepath Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited and Red Velvet Holdings 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 and Truepath 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 2023, 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 on 1 December 2011 (the “Existing Share Option Scheme”), which will be expired on the tenth anniversary of its adoption. To enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions to the success of the Group, the shareholders at the annual general meeting held on 10 June 2021 had resolved to terminate the Existing Share Option Scheme and a new share option scheme (the “New Share Option Scheme”) has been adopted.

As at 30 June 2023, 193,967,666 share options under the Existing Share Option Scheme remain outstanding and exercisable upon. No further option can be granted under the Existing Share Option Scheme upon its expiration, but all options granted previously will remain exercisable in accordance with the terms of the Existing Share Option Scheme.

Other Information

1. Purpose

The New Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The purpose of the New Share Option Scheme is to enable the Group to grant share options to selected Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest (the "Invested Entity").

2. Participants

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or Invested Entities;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entities; and

(c) any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

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

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the annual general meeting held on 10 June 2021 (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 New 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 New 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.

Other Information

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 7 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 New Share Option Scheme shall be a price solely determined by the Board and notified to the participants and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of a share on the date of grant of the options.

9. Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 10 June 2021, subject to the early termination provisions contained in the New Share Option Scheme. The remaining life of the New Share Option Scheme is approximately 7 years and 11 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 New Share Option Scheme does not exceed 10% of the issued share capital of the Company as at the annual general meeting held on 10 June 2021. 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.

Other Information

Movements of the share options under the Existing Share Option Scheme during the six months ended 30 June 2023 are as follows:

Grantee	Number of share options						Date of grant	Date of expiry	Exercise price per share
	Outstanding as at 1 January 2023	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2023			
Directors									
Mr. Wang Guoqiang	1,090,000 (Note 1)	–	–	–	1,090,000	0	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 2)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Mr. Ethan Wu	1,090,000 (Note 1)	–	–	–	1,090,000	0	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 2)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Mr. Li Qiang	1,000,000 (Note 1)	–	–	–	1,000,000	0	13/06/2013	12/06/2023	HK$4.694
	10,000,000 (Note 2)	–	–	–	–	10,000,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Mr. Wu Jiwei	9,000,000 (Note 3)	–	–	–	–	9,000,000	26/09/2018	25/09/2028	HK$0.740
	6,000,000 (Note 4)	–	–	–	–	6,000,000	06/12/2018	05/12/2028	HK$0.532
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Ms. Chen Chunhua	1,000,000 (Note 1)	–	–	–	1,000,000	0	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 2)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250

Other Information

Grantee	Outstanding as at 1 January 2023	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2023	Date of grant	Date of expiry	Exercise price per share
	Number of share options								
Mr. Wu Kwok Keung Andrew	1,000,000 (Note 1)	–	–	–	1,000,000	0	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 2)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Ms. Zhang Yujuan	1,000,000 (Note 1)	–	–	–	1,000,000	0	13/06/2013	12/06/2023	HK$4.694
	1,500,000 (Note 2)	–	–	–	–	1,500,000	31/08/2016	30/08/2026	HK$0.490
	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Mr. Ma Xiaohu	0	500,000 (Note 5)	–	–	–	500,000	31/03/2023	30/03/2033	HK$0.250
Employees	21,170,000 (Note 1)	–	–	–	21,170,000	0	13/06/2013	12/06/2023	HK$4.694
	81,667,666 (Note 2)	–	–	–	500,000	81,167,666	31/08/2016	30/08/2026	HK$0.490
	49,300,000 (Note 3)	–	–	–	–	49,300,000	26/09/2018	25/09/2028	HK$0.740
	31,000,000 (Note 4)	–	–	–	–	31,000,000	06/12/2018	05/12/2028	HK$0.532
	0	181,300,000 (Note 5)	–	–	–	181,300,000	31/03/2023	30/03/2033	HK$0.250
Total	**221,817,666**	**185,300,000**	**–**	**–**	**27,850,000**	**379,267,666**			

Notes:

1. The closing price of shares immediately before 13 June 2013 on which the share options were granted was HK$4.570 per share. 1/3 of which are exercisable from 13 June 2014 to 12 June 2023; 1/3 of which are exercisable from 13 June 2015 to 12 June 2023; and the remaining 1/3 are exercisable from 13 June 2016 to 12 June 2023.

Other Information

2. The closing price of shares immediately before 31 August 2016 on which the share options were granted was HK$0.490 per share. 1/3 of which are exercisable from 31 August 2017 to 30 August 2026; 1/3 of which are exercisable from 31 August 2018 to 30 August 2026; and the remaining 1/3 are exercisable from 31 August 2019 to 30 August 2026.

3. The closing price of shares immediately before 26 September 2018 on which the share options were granted was HK$0.740 per share. 1/3 of which are exercisable from 26 September 2019 to 25 September 2028; 1/3 of which are exercisable from 26 September 2020 to 25 September 2028; and the remaining 1/3 are exercisable from 26 September 2021 to 25 September 2028.

4. The closing price of shares immediately before 6 December 2018 on which the share options were granted was HK$0.520 per share. 1/3 of which are exercisable from 6 December 2019 to 5 December 2028; 1/3 of which are exercisable from 6 December 2020 to 5 December 2028; and the remaining 1/3 are exercisable from 6 December 2021 to 5 December 2028.

5. The closing price of shares immediately before 31 March 2023 on which the share options were granted was HK$0.250 per share. 1/3 of which are exercisable from 31 March 2024 to 30 March 2033; 1/3 of which are exercisable from 31 March 2025 to 30 March 2033; and the remaining 1/3 are exercisable from 31 March 2026 to 30 March 2033.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2023 under the Existing Share Option Scheme and the New Share Option Scheme.

INTERIM DIVIDEND

The Board proposed not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

Hong Kong, the PRC, 23 August 2023

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	30 June 2023 *RMB'000* Unaudited	31 December 2022 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	**424,659**	430,071
Right-of-use assets	7	**57,689**	60,890
Intangible assets	8	**15,217**	15,875
Investments in associates		**3,589**	3,472
Deferred income tax assets	17	**118,924**	115,301
Financial assets at fair value through other comprehensive income		**7,740**	8,368
Other non-current assets		**16,145**	16,145
Prepayments and other receivables	11	**13,627**	324
		657,590	650,446
Current assets			
Inventories	9	**599,448**	556,669
Contract assets		**43,905**	32,731
Trade and note receivables	10	**1,178,495**	1,139,377
Prepayments and other receivables	11	**227,709**	208,610
Restricted bank deposits		**21,401**	17,189
Cash and cash equivalents		**161,999**	277,536
		2,232,957	2,232,112
Total assets		**2,890,547**	2,882,558
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	12	**1,247**	1,178
Share premium		**869,853**	848,026
Other reserves	13	**337,464**	335,409
Currency translation differences		**(485,620)**	(525,073)
Retained earnings		**584,582**	575,241
		1,307,526	1,234,781
Non-controlling interests		**(13,388)**	(9,677)
Total equity		**1,294,138**	1,225,104

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	14	**67,302**	43,035
Non-current lease liabilities	7	**16,077**	16,618
Deferred income tax liabilities	17	**29,742**	25,792
		113,121	85,445
Current liabilities			
Borrowings	14	**283,688**	375,295
Current portion of long-term borrowings	14	**76,379**	124,253
Contract liabilities		**58,708**	53,460
Trade and note payables	15	**811,168**	733,759
Accruals and other payables	16	**191,093**	218,990
Current income tax liabilities		**55,816**	54,809
Current portion of lease liabilities	7	**6,436**	11,443
		1,483,288	1,572,009
Total liabilities		**1,596,409**	1,657,454
Total equity and liabilities		**2,890,547**	2,882,558

The accompanying notes on page 37 to 62 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 30 to 62 were approved by the Board of Directors on 23 August 2023 and were signed on its behalf.

Wang Guoqiang
Director

Ethan Wu
Director

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2023

	Notes	Six months ended 30 June **2023** ***RMB'000*** **Unaudited**	 2022 *RMB'000* Unaudited
Revenue	5	**843,059**	732,777
Other gains/(losses), net		**1,652**	(1,584)
Operating costs			
Material costs		**(234,879)**	(198,427)
Employee benefit expenses	18	**(280,605)**	(266,240)
Short-term and low-value lease expenses		**(46,236)**	(45,571)
Transportation costs		**(12,268)**	(11,506)
Depreciation and amortisation	19	**(31,481)**	(29,744)
Technical service expenses		**(123,957)**	(69,423)
Net impairment losses of financial and contract assets		**(14,987)**	(5,913)
Impairment losses of inventories		**(1,460)**	(1,532)
Others		**(70,772)**	(68,926)
		(816,645)	(697,282)
Operating profit		**28,066**	33,911
Finance income		**177**	329
Finance costs		**(15,854)**	(21,377)
Finance costs, net	20	**(15,677)**	(21,048)
Share of net profit/(loss) of an associate accounted for using the equity method		**117**	(102)
Profit before income tax		**12,506**	12,761
Income tax expense	21	**(5,694)**	(4,734)
Profit for the period		**6,812**	8,027
Profit is attributable to:			
Owners of the Company		**9,341**	9,808
Non-controlling interests		**(2,529)**	(1,781)
		6,812	8,027
Earnings per share for the profit attributable to the owners of the Company			
Basic and diluted earnings per share (RMB)	23	**0.0049**	0.0053

The accompanying notes on page 37 to 62 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 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		Unaudited	Unaudited
Profit for the period		**6,812**	8,027
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**8,181**	(19,386)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**30,090**	34,853
Changes in fair value of equity investments at fair value through other comprehensive income		**(628)**	(1,726)
Total comprehensive income for the period		**44,455**	21,768
Total comprehensive income for the period attributable to:			
Owners of the Company		**48,166**	23,514
Non-controlling interests		**(3,711)**	(1,746)
		44,455	21,768
Total comprehensive income for the period		**44,455**	21,768

The accompanying notes on page 37 to 62 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 2023

	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 2022 (Audited)		**1,178**	**848,026**	**335,409**	**(525,073)**	**575,241**	**1,234,781**	**(9,677)**	**1,225,104**
Comprehensive income									
Profit/(loss) for the period		–	–	–	–	9,341	9,341	(2,529)	6,812
Other comprehensive income		–	–	(628)	39,453	–	38,825	(1,182)	37,643
Total comprehensive income		–	–	**(628)**	**39,453**	**9,341**	**48,166**	**(3,711)**	**44,455**
Transactions with owners in their capacity as owners									
Issue of ordinary shares	12	69	21,827	–	–	–	21,896	–	21,896
Share-based payments	18	–	–	2,683	–	–	2,683	–	2,683
Total transactions with owners in their capacity as owners		**69**	**21,827**	**2,683**	–	–	**24,579**	–	**24,579**
Balance as at 30 June 2023 (Unaudited)		**1,247**	**869,853**	**337,464**	**(485,620)**	**584,582**	**1,307,526**	**(13,388)**	**1,294,138**

The accompanying notes on page 37 to 62 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 2023

		Equity attributable to the owners of the Company							
	Notes	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 2021 (Audited)		1,178	848,026	332,812	(554,995)	566,485	1,193,506	12,134	1,205,640
Comprehensive income									
Profit/(loss) for the period		–	–	–	–	9,808	9,808	(1,781)	8,027
Other comprehensive income		–	–	(1,726)	15,432	–	13,706	35	13,741
Total comprehensive income		–	–	(1,726)	15,432	9,808	23,514	(1,746)	21,768
Transactions with owners in their capacity as owners									
Transfer to statutory reserves		–	–	2,885	–	(2,885)	–	–	–
Transaction with non-controlling interests	25	–	–	1,431	–	–	1,431	(16,303)	(14,872)
Total transactions with owners in their capacity as owners		–	–	4,316	–	(2,885)	1,431	(16,303)	(14,872)
Balance as at 30 June 2022 (Unaudited)		1,178	848,026	335,402	(539,563)	573,408	1,218,451	(5,915)	1,212,536

The accompanying notes on page 37 to 62 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		Unaudited	Unaudited
Cash flows from operating activities			
Cash used in operations		**(57,902)**	(91,222)
Income tax paid		**(5,652)**	(6,022)
Net cash used in operating activities		**(63,554)**	(97,244)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,457)**	(20,479)
(Increase)/decrease in restricted bank deposits		**(4,212)**	15,412
Interest received		**90**	181
Dividends received from an associate		**–**	187
Proceeds from disposal of property, plant and equipment		**76**	46
Net cash used in investing activities		**(15,503)**	(4,653)
Cash flows from financing activities			
Proceeds from borrowings		**418,112**	240,147
Repayments of borrowings		**(453,147)**	(321,465)
Proceeds from issues of new shares		**21,896**	–
Interest paid		**(14,115)**	(17,931)
Principal elements of lease payments		**(9,056)**	(6,292)
Payments of financing fee and deposits		**(5,996)**	–
Net cash used in financing activities		**(42,306)**	(105,541)
Net decrease in cash and cash equivalents		**(121,363)**	(207,438)
Cash and cash equivalents at beginning of the period		**277,536**	359,415
Effects of exchange rate changes on cash and cash equivalents		**5,826**	2,797
Cash and cash equivalents at end of the period		**161,999**	154,774

The accompanying notes on page 37 to 62 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 2023

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are principally engaged in provision of oil-field services including drilling, well completion, reservoir and the manufacturing and sale 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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 December 2011.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022, 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 2023

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2022 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:

• IFRS 17	Insurance Contracts
• Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
• Amendments to IAS 8	Definition of Accounting Estimates
• Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require the recognition of deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities.

The Group therefore changed its accounting policies as a result of adopting this amendment to IAS 12. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2022. There was no impact on retained earnings on 1 January 2022.

The impact of applying these amendments on the interim condensed consolidated financial information is summarised as follows:

	Amount of adjustment	
	1 January 2022	**31 December 2022**
	RMB'000	***RMB'000***
Deferred tax assets	5,322	4,609
Deferred tax liabilities	(5,322)	(4,609)

Other than the above impact, none of these developments have had a material effect on the Group's results and financial information for the current or prior periods which have been prepared or presented in this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

3. ACCOUNTING POLICIES (CONTINUED)

Amended standards adopted by the Group (Continued)

Certain new standard and amendments to standards have been published that are not mandatory for 30 June 2023 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires the use of accounting estimates which, by definition, may differ from the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In preparing this interim condensed consolidated financial information, the significant judgements and the sources of estimation of uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5. SEGMENT INFORMATION

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

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

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

(a) Revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**239,147**	179,471
Well completion	**192,897**	172,616
Reservoir	**324,718**	297,429
Others	**86,297**	83,261
	843,059	732,777

The revenue from external customers 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 2023

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the six months ended 30 June 2023 and 2022 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2023 (Unaudited)					
Revenue from external customers	**239,147**	**192,897**	**324,718**	**86,297**	**843,059**
Time of revenue recognition					
– At a point in time	**3,842**	**116,686**	**25,514**	**86,297**	**232,339**
– Over time	**235,305**	**76,211**	**299,204**	**–**	**610,720**
EBITDA	**24,250**	**35,609**	**70,148**	**6,220**	**136,227**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2022 (Unaudited)					
Revenue from external customers	179,471	172,616	297,429	83,261	732,777
Time of revenue recognition					
– At a point in time	3,158	109,282	22,737	83,261	218,438
– Over time	176,313	63,334	274,692	–	514,339
EBITDA	22,252	31,070	63,844	10,450	127,616

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information on total assets as at 30 June 2023 and 31 December 2022 are as follows:

	Drilling	**Well completion**	**Reservoir**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As at 30 June 2023 (Unaudited)					
Segment assets	**849,293**	**873,815**	**568,861**	**83,820**	**2,375,789**
Unallocated assets					**514,758**
Total assets					**2,890,547**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**4,223**	**2,669**	**5,562**	**7,493**	**19,947**

	Drilling	Well completion	Reservoir	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022 (Audited)					
Segment assets	790,961	819,427	588,061	77,084	2,275,533
Unallocated assets					607,025
Total assets					2,882,558
Additions to non-current assets (other than financial instruments and deferred income tax assets)	32,718	8,192	32,585	47,414	120,909

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA for reportable segments	**136,227**	127,616
Unallocated expenses		
– Share-based payments *(Note 18)*	**(2,683)**	–
– Other gains/(losses), net	**1,652**	(1,584)
– Unallocated overhead expenses	**(75,532)**	(62,479)
	(76,563)	(64,063)
	59,664	63,553
Depreciation and amortisation *(Note 19)*	**(31,481)**	(29,744)
Finance income *(Note 20)*	**177**	329
Finance costs *(Note 20)*	**(15,854)**	(21,377)
Profit before income tax	**12,506**	12,761

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
PRC	**493,630**	492,854
Kazakhstan	**166,432**	130,898
Others	**182,997**	109,025
	843,059	732,777

The following table shows the non-current assets other than 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
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current assets		
PRC	**292,737**	295,157
Kazakhstan	**54,333**	53,513
Others	**180,267**	174,634
	527,337	523,304

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net book value		
Opening amount (Audited)	**430,071**	402,533
Additions	**16,439**	26,048
Depreciation	**(29,551)**	(26,448)
Disposals	**(997)**	(3,261)
Exchange differences	**8,697**	4,155
Closing amount (Unaudited)	**424,659**	403,027

(a) Certain property, plant and equipment have been pledged for the Group's bank borrowings, details of which have been set out in Note 14(b).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

7. LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2023 *RMB'000* **Unaudited**	31 December 2022 *RMB'000* Audited
Right-of-use assets		
Buildings	**30,522**	30,489
Land use rights		
– Located in the PRC	**18,622**	18,863
– Outside of the PRC	**8,545**	8,694
Machinery and equipment	**–**	2,844
	57,689	60,890
Lease liabilities		
Current lease liabilities	**6,436**	11,443
Non-current lease liabilities	**16,077**	16,618
	22,513	28,061

Additions to the right-of-use assets during the six months ended 30 June 2023 were RMB3,508,000 (2022: RMB10,652,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

7. LEASES (CONTINUED)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Depreciation charge of right-of-use assets		
Property, plant and equipment	**6,289**	8,219
Land use rights	**301**	127
	6,590	8,346
Interest expense (included in finance costs)	**933**	1,171
Expense relating to short-term and low-value leases	**46,236**	45,571

(c) The cash outflow shows the following amounts relating to leases:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Payments of principal elements of lease	**9,056**	6,292
Payments of interest expense of lease	**933**	1,171
Payments of short-term and low-value lease	**46,236**	45,571
	56,225	53,034

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

8. INTANGIBLE ASSETS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net book value		
Opening amount (Audited)	**15,875**	17,384
Amortisation	**(658)**	(707)
Closing amount (Unaudited)	**15,217**	16,677

9. INVENTORIES

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Project materials and consumables	**505,168**	486,766
Project-in-progress	**176,884**	149,782
	682,052	636,548
Less: provision for inventories	**(82,604)**	(79,879)
	599,448	556,669

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

10. TRADE AND NOTE RECEIVABLES

	30 June 2023 *RMB'000* **Unaudited**	31 December 2022 *RMB'000* Audited
Trade receivables	**1,189,673**	1,202,208
Less: loss allowance	**(144,195)**	(131,491)
Trade receivables – net	**1,045,478**	1,070,717
Notes receivable	**133,190**	68,735
Less: loss allowance	**(173)**	(75)
Notes receivable – net	**133,017**	68,660
	1,178,495	1,139,377

(a) Ageing analysis of gross trade and note receivables based on invoice date is as follows:

	30 June 2023 *RMB'000* **Unaudited**	31 December 2022 *RMB'000* Audited
Up to 6 months	**813,313**	837,346
6 months – 1 year	**182,868**	65,794
1 – 2 years	**124,280**	151,212
2 – 3 years	**33,928**	28,157
Over 3 years	**168,474**	188,434
Trade and note receivables, gross	**1,322,863**	1,270,943
Less: loss allowance	**(144,368)**	(131,566)
Trade and note receivables, net	**1,178,495**	1,139,377

(b) Certain trade and note receivables have been pledged for the Group's bank borrowings, details of which have been set out in Note 14(a)(i) and 14(d)(i).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

11. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Current		
Advances to suppliers	**117,451**	101,855
Prepayment for taxes	**38,245**	46,001
Deposits and other receivables	**81,225**	70,450
Less: loss allowance	**(9,212)**	(9,696)
	227,709	208,610
Non-current		
Prepayment for equipment and machinery	**1,682**	323
Deposits and other receivables	**11,945**	1
	13,627	324
Total	**241,336**	208,934

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

12. SHARE CAPITAL

	Number of shares *(Thousands)*	Share capital *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each as at 31 December 2022 and 30 June 2023	5,000,000	3,219

	Number of shares *(Thousands)*	Share capital *RMB'000*
Issued and fully paid:		
As at 31 December 2022	1,853,776	1,178
Add: issuance of ordinary shares (a)	100,000	69
As at 30 June 2023	1,953,776	1,247

(a) On 2 May 2023, 100,000,000 placing shares were allotted and issued at HKD0.25 per share, resulting in approximately RMB69,000 and RMB21,827,000 being recognised as share capital and share premium respectively.

13. OTHER RESERVES

	30 June 2023 ***RMB'000*** **Unaudited**	31 December 2022 *RMB'000* Audited
Merger reserves	**(148,895)**	(148,895)
Share-based payments (a)	**204,875**	202,192
Statutory reserves	**83,509**	83,509
Capital reserves	**209,850**	209,850
Changes in fair value of equity investments at fair value through other comprehensive income	**(11,875)**	(11,247)
	337,464	335,409

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

13. OTHER RESERVES (CONTINUED)

(a) The Group adopted a share option scheme on 1 December 2011. The Group will continue to consider granting share options to eligible persons in accordance with the share option scheme to better achieve long-term talent incentives. On 31 March 2023, 185,300,000 share options were granted by the Company to certain directors and employees to subscribe for 185,300,000 ordinary shares of USD0.0001 each at an exercise price of HKD0.25.

These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The numbers of the share options granted at the grant date and the outstanding share options as at 30 June 2023 and 31 December 2022 are as below:

Grant Date	Expiry date	Exercise price *HKD*	The granted share option number *(Thousands)*	Outstanding share options 30 June 2023 *(Thousands)*	Outstanding share options 31 December 2022 *(Thousands)*
13 June 2013	12 June 2023	4.69	67,450	–	27,350
31 August 2016	30 August 2026	0.49	130,000	98,668	99,168
26 September 2018	25 September 2028	0.74	60,000	58,300	58,300
6 December 2018	5 December 2028	0.53	37,000	37,000	37,000
31 March 2023	30 March 2033	0.25	185,300	185,300	–
Total		0.42	479,750	379,268	221,818
Weighted average remaining contractual life of options outstanding at end of years				6.92 years	4.18 years

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

13. OTHER RESERVES (CONTINUED)

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

	Six months ended 30 June			
	2023		2022	
	Average exercise price per share options ***HKD***	**Number of share options** ***(Thousands)***	Average exercise price per share options *HKD*	Number of share options *(Thousands)*
As at 1 January	**1.08**	**221,818**	1.16	235,435
Granted	**0.25**	**185,300**	–	–
Forfeited	**3.53**	**(1,800)**	3.85	(3,000)
Expired	**4.69**	**(26,050)**	1.31	(8,097)
Vested and exercisable as at 30 June	**0.42**	**379,268**	1.12	224,338

Total expenses arising from share-based payment transactions recognised during the six months ended 30 June 2023 as part of employee benefit expenses were RMB2,683,000.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

14. BORROWINGS

	30 June 2023 *RMB'000* **Unaudited**	31 December 2022 *RMB'000* Audited
Long-term borrowings:		
– Bank loans, secured (a)	**44,234**	63,009
– Loans from third party financial institutions, secured (b)	**95,183**	94,392
– Loans from third parties, unsecured(c)	**4,264**	9,887
	143,681	167,288
Less:		
Non-current portion of long-term borrowings		
– Bank loans, secured (a)	**30,331**	2,649
– Loans from third party financial institutions, secured (b)	**36,971**	40,386
Non-current portion of long-term borrowings	**67,302**	43,035
Current portion of long-term borrowings	**76,379**	124,253
Short-term borrowings:		
– Bank loans, secured (d)	**261,643**	231,330
– Bank loans, unsecured (e)	**8,843**	–
– Loans from third party financial institutions, secured	**–**	22,000
– Loans from third parties, unsecured (f)	**13,202**	121,965
	283,688	375,295

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

14. BORROWINGS (CONTINUED)

Notes

(a) Long-term secured bank loans comprise:

(i) Loans totalling RMB41,000,000 (2022: RMB59,500,000) bear interest at rates ranging from 6.0% to 6.60% (2022: 6.0% to 6.60%) per annum, and are secured against the right of collecting certain trade receivables.

(ii) A loan of RMB3,234,000 (2022: RMB3,509,000) bears interest at 3-month swap offer rate plus 3.5% (2022: 3-month swap offer rate plus 3.5%) per annum, and are secured against a right-of-use asset and a guarantee provided by the Company. During the six months ended 30 June 2023, the average interest rate was 7.69% (2022: 4.29%).

(b) The Group's long-term secured loans from third party financial institutions bear interest at rates ranging from 5.80% to 7.81% (2022: 5.80% to 7.81%), and are secured against certain machinery with carrying amount of RMB168,135,000 (2022: RMB160,255,000) and a guarantee provided by a subsidiary of the Group.

(c) The Group's long-term unsecured loans from third parties bear interest at a rate of 15% per annum (2022: 15%).

(d) Short-term secured bank loans comprise:

(i) Loans totalling RMB44,400,000 (2022: RMB87,260,000) bear interest at a rate of 6.00% (2022: 6.00%) per annum, and are secured against the right of collecting certain trade receivables.

(ii) Loans totalling RMB59,852,000 (2022: RMB33,200,000) bear interest at rates ranging from 3.70% to 5.85% (2022: 3.92% to 4.65%) per annum,and guaranteed by a third party guarantee company with counter-guarantees provided by a subsidiary of the Group.

(iii) Loans totaling RMB157,391,000 (2022: RMB110,870,000) bear interest ranging from 2.31% to 5.45% (2022: 2.31% to 5.45%) per annum, with guarantees provided by certain subsidiaries of the Group.

(e) The Group's short-term unsecured bank loan bears interest at a rate of 4.60% per annum.

(f) The Group's unsecured loans from third parties bear interest ranging from 0% to 15% per annum (2022: 0% to 8%).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

14. BORROWINGS (CONTINUED)

Notes (Continued)

(g) The Group's borrowings are analysed as below:

	30 June 2023 ***RMB'000*** **Unaudited**	31 December 2022 *RMB'000* Audited
RMB	**407,154**	522,707
USD	**16,981**	16,367
SGD	**3,234**	3,509
	427,369	542,583

(h) The maturities of the Group's total borrowings at the balance sheet date are as follows:

	30 June 2023 ***RMB'000*** **Unaudited**	31 December 2022 *RMB'000* Audited
Within 1 year	**360,067**	499,548
1 year to 2 years	**62,812**	41,245
2 years to 5 years	**4,490**	1,790
	427,369	542,583

15. TRADE AND NOTE PAYABLES

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

	30 June 2023 ***RMB'000*** **Unaudited**	31 December 2022 *RMB'000* Audited
Up to 6 months	**612,016**	519,586
6 months to 1 year	**62,974**	38,558
1 – 2 years	**36,116**	63,272
2 – 3 years	**31,850**	21,449
Over 3 years	**68,212**	90,894
	811,168	733,759

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

16. ACCRUALS AND OTHER PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Payroll and welfare payable	**99,311**	112,763
Taxes other than income taxes payable	**22,039**	30,027
Other payables – related parties *(Note 25(a))*	**14,872**	14,872
Other payables for purchase of property, plant and equipment	**11,972**	13,869
Other payables	**42,899**	47,459
	191,093	218,990

17. DEFERRED INCOME TAXATION

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction (if any), is as follows:

Deferred income tax assets

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At beginning of the period	**115,301**	116,674
Impact of adoption of IAS 12 *(Note 3)*	**4,609**	5,322
At beginning of the period (Adjusted)	**119,910**	121,996
(Charged)/credited to income statement *(Note 21)*	**(1,000)**	635
Currency translation difference	**14**	27
At end of the period	**118,924**	122,658

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

17. DEFERRED INCOME TAXATION (CONTINUED)

Deferred income tax liabilities

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At beginning of the period	**25,792**	25,991
Impact of adoption of IAS 12 *(Note 3)*	**4,609**	5,322
At beginning of the period (Adjusted)	**30,401**	31,313
(Credited)/charged to the income statement *(Note 21)*	**(659)**	405
Currency translation difference	**–**	(2)
At end of the period	**29,742**	31,716

18. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Wages, salaries and allowances	**222,189**	216,547
Housing benefits	**9,192**	8,673
Pension costs	**34,932**	32,470
Share-based payments *(Note13(a))*	**2,683**	–
Welfare and other expenses	**11,609**	8,550
	280,605	266,240

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

19. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Gains on disposal of property, plant and equipment	**(569)**	(1,260)
Sales tax and surcharges	**2,161**	1,754
Depreciation	**30,823**	29,037
– Right-of-use assets (include land use rights) *(Note 7)*	**6,590**	8,346
– Property, plant and equipment *(Note 6)*	**24,233**	20,691
Amortisation of intangible assets *(Note 8)*	**658**	707

20. FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**142**	219
– Net foreign exchange gains on financing activities	**35**	110
Finance income	**177**	329
Interest expense:		
– Bank borrowings	**(9,116)**	(16,467)
– Interest paid for lease liabilities	**(933)**	(1,171)
– Other borrowings	**(3,086)**	(1,386)
Bank charges and others	**(2,719)**	(2,353)
Finance costs	**(15,854)**	(21,377)
Finance costs, net	**(15,677)**	(21,048)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

21. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax	**5,353**	4,964
Deferred income tax	**341**	(230)
Income tax expense	**5,694**	4,734

During the six months ended 30 June 2023, the estimated income tax rates applicable to the Group entities (excluding group companies that are currently tax exempted) ranged from 5% to 30% (2022: 5% to 30%).

22. DIVIDEND

The Board of Directors did not propose a dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

23. 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	
	2023	2022
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	**9,341**	9,808
Weighted average number of ordinary shares in issue (thousands)	**1,892,665**	1,853,776
Basic earnings per share (RMB per share)	**0.0049**	0.0053

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

23. EARNINGS PER SHARE (CONTINUED)

(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.

The share options in issue have not been included in the calculation of the diluted earnings per share, as the adjusted exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the six months ended 30 June 2023 and 2022, and the diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2023 and 2022.

24. COMMITMENTS

Capital commitments

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Property, plant and equipment	**33,164**	32,239
Exploration and evaluation	**83,711**	80,685

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to, 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.

The following transactions were carried out with related parties for the six months ended 30 June 2023 and 2022:

(a) Transactions with related parties

On 21 January 2022, pursuant to the exclusive Call Option Agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by Preference Shareholders as stated in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK shall acquire a total of 350,000 preference shares from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of SGD3,200,000 (the "Transactions"). The Transactions had been completed in 2022 with the consideration (equivalent to RMB 14,872,000) yet to be paid.

(b) Key management compensation

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Salaries and other short-term benefits	**4,151**	6,523
Share-based payments	**619**	–
Retirement benefits and others	**621**	528
	5,391	7,051