

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

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

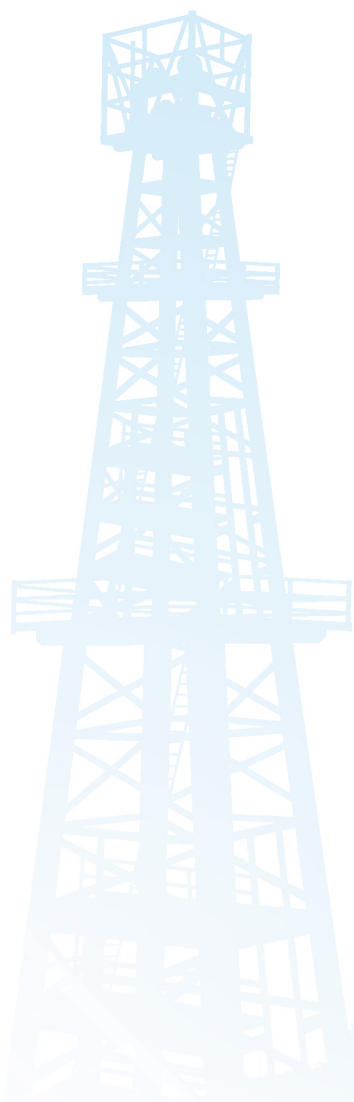
\*for identification purpose only



# 2021 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. Wan Kah Ming

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Mr. Wang Guoqiang  
Ms. Ho Siu Pik

## COMPANY SECRETARY

Ms. Ho Siu Pik (*FCG, FCS*)

## COMPANY WEBSITE

[www.sptenergygroup.com](http://www.sptenergygroup.com)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Landmark  
15 Queen's Road  
Central, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District  
Beijing  
PRC  
(postal code: 100012)

## Corporate Information

### REGISTERED OFFICE

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Grand Cayman KY1-1205  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR

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Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

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17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### AUDITOR

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

### PRINCIPAL BANKERS

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

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

1251

### DATE OF LISTING

23 December 2011

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2021, the spread of COVID-19 pandemic (the “Pandemic”) slowed down with the worldwide application of COVID-19 vaccine (the “Vaccine”). Countries have drawn up plans to restart their economies and the global economy is recovering, especially China and the United States, which are growing rapidly. In the first half of 2021, there was an increasing demand for crude oil, while crude oil supply was impacted by the “OPEC+” policies to restrain and control output. The balance between supply and demand remained tight, leading to an upward trend in global oil prices with random fluctuations. Although cyclical recovery is underway, major oil companies are still cautious about upstream oil and gas exploration investment, therefore the scale and intensity of investment has not increased significantly. The oilfield service industry, facing a relatively complex market landscape, remains highly competitive. In the long run, the target of achieving carbon peak emissions and carbon neutrality will push the energy industry to accelerate the realization of a green and low-carbon transition, which poses challenges for the long-term development of the oilfield service industry.

During the Period, the Group recorded revenue of RMB581.3 million, representing a decrease of RMB27.8 million or 4.6% from the same period last year; and recorded a profit for the period of RMB14.8 million, representing a decrease of RMB3.8 million or 20.4% as compared with the same period of the previous year. In terms of revenue by region, revenue from the PRC market amounted to RMB399.1 million, representing a decrease of RMB38.2 million or 8.7% as compared with the same period of the previous year, and accounted for 68.7% of the total revenue. Revenue from the overseas markets amounted to RMB182.2 million, representing an increase of RMB10.4 million or 6.1% as compared with the same period of the previous year, and accounted for 31.3% of the total revenue.

In the first half of 2021, the Group adopted the following measures to cope with the new situation and new challenges faced by the oil-field service industry: firstly, the Group kept close to the customer needs of enhanced quality and increased efficiency, enhanced coordination among the production organisation and continued to innovate its business models; explored potentials and strengthened our advantages by conducting in-depth analysis of effective markets and potential markets as well as actively explored new markets, tapped new customers and extended into new areas. Secondly, the Group continued adhering to the strategy of “technology-driven development”, deepened the cooperation with our customers in new scientific research projects, integrated projects and other areas, and continuously promoted technological breakthroughs in order to enhance market competitiveness. Thirdly, the Group continued to adopt scientific Pandemic prevention and control measures and establish safety and environmental protection management while strengthening risk control; continuously carried out refined management by implementing stringent cost control and further lowering the costs.

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 the gradual recovery of the industry.

## Management Discussion and Analysis

### REVENUE ANALYSIS

During the Period, the Group recorded revenue of RMB581.3 million, representing a decrease of RMB27.8 million or 4.6% from the same period of the previous year. The analysis of the Group's revenue by business segment is as follows:

Revenue	Six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Change (%)
Reservoir	245,408	227,920	7.7%
Drilling	226,138	185,973	21.6%
Well completion	109,735	195,247	(43.8%)
Total	581,281	609,140	(4.6%)

Revenue from reservoir segment amounted to RMB245.4 million, up by RMB17.5 million or 7.7% from the same period of the previous year, accounting for 42.2% of the total revenue. Revenue from drilling segment amounted to RMB226.1 million, up by RMB40.2 million or 21.6% from the same period of the previous year, accounting for 38.9% of the total revenue. Revenue from well completion segment amounted to RMB109.7 million, down by RMB85.5 million or 43.8% from the same period of the previous year, accounting for 18.9% of the total revenue. In terms of proportions, the revenue contributions from reservoir and drilling business segments are comparable, both with an increase over the same period of the previous year. Revenue from well completion segment dropped significantly compared with the same period of the previous year, which was mainly due to the difference in supply schedule of domestic well completion tools.

## Management Discussion and Analysis

### RESERVOIR SERVICE SEGMENT

Revenue from reservoir segment	Six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Change (%)
The PRC	152,817	117,202	30.4%
Overseas	92,591	110,718	(16.4%)
Total	245,408	227,920	7.7%

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

During the Period, the Group's reservoir segment recorded revenue of RMB245.4 million, up by 7.7% from the same period of the previous year. Revenue from reservoir segment in the PRC market amounted to RMB152.8 million, up by RMB35.6 million or 30.4% from the same period of the previous year. Revenue from reservoir segment in the overseas markets amounted to RMB92.6 million, down by RMB18.1 million or 16.4% from the same period of the previous year. During the Period, the increase in revenue from domestic reservoirs was mainly generated from the station operation and maintenance business in Xinjiang; whereas the decrease in overseas revenue was mainly due to the decrease in workload caused by the Pandemic.

### DRILLING SERVICE SEGMENT

Revenue from drilling segment	Six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Change (%)
The PRC	174,530	135,999	28.3%
Overseas	51,608	49,974	3.3%
Total	226,138	185,973	21.6%

## Management Discussion and Analysis

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

During the Period, revenue from drilling segment amounted to RMB226.1 million, up by RMB40.2 million or 21.6% from the same period of the previous year. During the Period, revenue from drilling segment in the PRC market amounted to RMB174.5 million, representing an increase of RMB38.5 million or 28.3% from the same period of the previous year; whereas revenue from drilling segment in the overseas markets amounted to RMB51.6 million, representing an increase of RMB1.6 million or 3.3% from the same period of the previous year. The significant increase in revenue from drilling segment was mainly due to the growth in the business of well drilling and workover in Xinjiang region in the PRC and the increase in drilling tool business in Africa.

### WELL COMPLETION SERVICE SEGMENT

Revenue from well completion segment	Six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Change (%)
The PRC	71,754	184,050	(61.0%)
Overseas	37,981	11,197	239.2%
<b>Total</b>	<b>109,735</b>	195,247	(43.8%)

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

During the Period, revenue from the Group's well completion segment amounted to RMB109.7 million, down by RMB85.5 million or 43.8% from the same period of the previous year. Revenue from well completion segment in the PRC market amounted to RMB71.8 million, down by RMB112.3 million or 61.0% from the same period of the previous year. Such decrease was mainly due to the difference in supply schedule of well completion business in Xinjiang, Sichuan and Chongqing. Revenue from well completion segment in overseas markets amounted to RMB38.0 million, up by RMB26.8 million or 239.2% from the same period of the previous year. Such increase was mainly due to the growth in well completion tools business in Turkmenistan.



## Management Discussion and Analysis

### MARKET ENVIRONMENT

During the Period, the global oil and gas market was recovering, with the three largest international oil-field service companies performing better in the first half of this year than in the same period last year, signaling a recovery in the oil-field service industry. However, there is a large regional difference in the recovery of the oil and gas market. The Group's revenue from overseas markets increased slightly, mainly due to a significant increase in the well completion segment in Turkmenistan, while other major overseas markets were still recovering from the impact of the Pandemic. In terms of the PRC market, under the guidance of the new energy security strategy, oil companies will continue a series of strategic measures for a long period of time, such as promoting oil and gas exploration and development, carrying out the implementation plan for expanding reserves and production, as well as improving quality and efficiency. In order to expand amid the fierce market competition, oil service companies must equip with advanced technology and operational capabilities, as well as refined management.

#### 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 Africa. During the Period, the Group's overseas projects have generally resumed work and production, and the overseas business was recovering, yet several overseas projects are still under the impact of the Pandemic and faced issues including lower decision-making efficiency and slower work pace. In Turkmenistan, the completion tools business achieved significant growth; in Kazakhstan, the overall business remained stable, with new contracts for several major compressor workover projects acquired. As workload of well workover projects gradually resumed, we recorded a higher year-on-year increase in revenue from well workover. In Middle East, due to the late award of the newly-won bidding of the oil testing monitoring project and the reduced workload of the original business due to the Pandemic, our results for the first half of the year has been affected to some extent.

Revenue from Kazakhstan as a percentage of the Group's revenue from the overseas markets was 55.4%. Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. Business revenue in Turkmenistan increased significantly, recording a revenue of RMB38.3 million, up by 366.2% from the same period of the previous year. Business in Indonesia increased slightly as well.

#### PRC Market

The "14th Five-Year Plan" emphasized that while accelerating the low-carbon transformation and development of the energy structure, national economic security should be ensured by the security of energy. In July 2021, the National Energy Administration convened the Conference for the Promotion of a Vigorous Increase regarding the Oil and Gas Exploration and Development (大力提升油氣勘探開發力度工作推進會), and emphasized that oil and gas exploration and development and investment effort shall be continuously increased. The three major state-owned oil companies in China will continue to implement the "Seven-Year Action Plan". In 2021, the capital expenditure used for upstream exploration and development amounted to nearly RMB340 billion in total, representing a year-on-year increase of nearly 5%. Meanwhile, the strategic measures such as improving quality and efficiency of oil and gas companies increased the competitive pressure in the oil-field service industry, and this trend has been increasingly normalized.

## Management Discussion and Analysis

During the Period, the Group rationally deployed, seized opportunities, and expanded business in the Xinjiang market. Through continuous technological innovation, the Group overcame difficulties and clarified its main direction to ensure an increase in workload. During the Period, revenue from the Xinjiang region increased compared with the same period last year. Such increase was mainly due to the operation and maintenance of the station and the increase in well drilling operations of the Tarim Oilfield. In terms of well completion, the small outer diameter packers have been operating normally in four wells and the application has been gradually promoted to high-temperature, high-pressure areas, which was a major breakthrough of great significance. In terms of drilling, the Group successfully completed the drilling operations of two connected wells in the Tarim Oilfield, which was highly recognized by the customer due to quality service. At the same time, the Group proactively promoted the environmentally friendly water-based system and received positive market response. In terms of well workover, several well workover teams were stationed at Shunbei area of Northwest Oilfield to operate, where we earned high recognition from customers and was graded as a quality contractor, and thus obtaining a three-year strategic alliance agreement. In the future, the Group will use well workover as the platform to constantly expand projects in fishing technology service, oil tubing teams and oil recovery, further expanding our business.

During the Period, the principal businesses of the Group in the Sichuan and Chongqing markets were oil reservoir monitoring, business of well completion tools, drilling tool technology service and fracturing service. Leveraging on its technical advantages and service experience in the non-conventional natural gas exploration, the Group once again completed an infill well fracturing service following the completion of the re-fracturing operations of a shale gas well in 2020, and is expected to continue to obtain orders for the re-fracturing service projects of four wells. A broad market outlook for such business is expected with further validation of the effectiveness of such fracturing technology.

Furthermore, in recent years, the Group has actively explored the business cooperation in the field of offshore oil exploration and development. During the Period, the Group successfully won the bid for the tight gas block drilling services project of China United Coalbed Methane Corp. Ltd. ("CUCBM"), marking the Group's further expansion into the land market of China National Offshore Oil Corporation Limited ("CNOOC"). Currently, such project has entered the stage of execution, and ten drilling rigs have been successfully activated to successively carry out relevant operations.

## Management Discussion and Analysis

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

Since the Group put forward the “technology-driven development” strategy in early 2020, the Company has continued to increase its investment in the research and development and manufacturing of new technologies, new processes and new equipment. Despite the continuous impact of the Pandemic, the Group has made great improvements in new technologies and new processes in business areas such as oil reservoirs, drilling, completion, fracturing and oil recovery, and has achieved certain results and a large market share, and increased output value benefits.

In terms of oil reservoirs, the high-temperature and high-pressure PVT (pressure-volume-temperature) sampler developed by the Group has continued application and is expected to be implemented on more than ten wells within the year to verify the reliability of the technology as well as continuously develop and improve such technology. We have cooperated with renowned universities in China to develop a variety of oil recovery chemicals, such as nano-micro capsules (納米微膠囊), black nano-card (納米黑卡), nano-viscosity reducer (納米降黏劑) and universal gel breaker (萬能破膠劑), which have been tested in Xinjiang Oilfield, Jilin Oilfield, Henan Oilfield and other oilfields, recording noticeable effect in production improvement and being widely praised by customers, which brought more market opportunities to the Group. The carbon dioxide oil recovery technology has obtained the opportunities to be applied on the market and will soon be tested in the Tarim Oilfield to cope with problems such as low condensate oil recovery.

In terms of drilling, the high-temperature rotary steering technology has been successfully applied in the Sichuan region, solving the problems of insufficient high-temperature resistance of other rotary steering tools, and the inability to use rotary steering tools to complete construction in the back section of horizontal wells, slow drilling time, and high risks of falling into wells. The Group’s regional company in Xinjiang first introduced the rotary steering and magnetic ranging technology for connected wells, which was applied to well drilling operation. During the construction process, the target well location was accurately positioned several times. At present, the construction of two wells has been successfully completed, and the original wellbores have been successfully connected. This was highly affirmed and praised by the customer, laying a solid foundation for the subsequent promotion of the relevant technology.

In terms of well completion, the Group successfully completed the highly difficult secondary completion operations of a certain well in Sichuan and Chongqing. The well had ultra-high formation pressure and imposed extremely harsh requirements for completion packers. Apart from that, high-density well slurry significantly increased the difficulty of construction. The Group introduced a series of high-end completion technologies, such as high-temperature and high-pressure resistant packers and ultra-high-power electric pump technology, and successfully completed the secondary completion string operation.

## Management Discussion and Analysis

In terms of well workover, through continuous technology R&D, a good development situation of putting one batch into use, reserving one batch and R&D for one batch has now been formed for workover fishing tools. Through the development and putting into use of two series of new tools, the Group further takes the lead in the technical service of slim hole complex fishing in the Tarim Oilfield and the Southwest Oil and Gas Field. In the Shunbei region, drilling rigs have been used for open-hole dredging of ultra-long horizontal wells, and the efficiency of processing similar wells has been constantly improved through the development and application of new technologies such as open-hole dredging bits and high-pressure rotary jet bits.

In terms of fracturing, the Group successfully carried out the re-fracturing operation for an infill well, and is expected to acquire subsequent contracts for four wells.

In addition to the R&D and successful application of the above new technologies and new processes, the technical team of the Group has conducted the R&D, integration and incubation of new technologies such as high-temperature measurement/logging while drilling, high-efficiency PDC bit design and manufacturing, automatic drilling, fiber optic monitoring, nano oil displacement, carbon dioxide oil recovery, high-strength soluble temporary plugging, ultrashort radius radial well drilling technology, intelligent completion, micro-reaming technology, high sulphur resistance and high pressure wellhead, and promoted them in various regional markets, which has been highly recognized by customers. A number of technologies have entered the on-site trial stage, and will soon be implemented to be applied on a large scale, laying a solid foundation for the continuous advancement of the Group's "technology-driven development" strategy in the future.

## Management Discussion and Analysis

### HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2021, the Group upgraded its human resources strategic management system step by step. The major details of the human resources work in the first half of 2021 are as follows:

1. The global situation of Pandemic remains severe. The Group adjusted the human resources strategy in a timely manner and effectively implemented labour cost control based on the human resources strategic objectives.
2. The Group effectively promoted its performance management system based on performance and technological innovation-orientation, which has served well as a positive incentive.
3. The Group has included talent development indicators in the organizational assessment KPI. We continued to improve the construction of its training system while developing various training programs covering areas of management, technology, project, operation, security and new employee training. With the help of online learning platform during the Pandemic, we comprehensively carried out the online and offline training and talent development through indicators of "Key Technical Personnel Training Camp", "Cultural Team Building", "Project Management", "Training for New Employees" and "Establishing Internal Trainer System". From January to June 2021, attendance in the Group's training reached 10,279 and the training covered all business regions and project departments domestically and abroad with 7,038 training hours cumulatively.
4. The establishment and operation of the business system for global human resources and informatisation system of the Group have been promoted effectively, and continued to be optimised during the process of promotion.
5. In respect of strategic human resources deployment for the first half of 2021, the Group continued to optimise its staff structure according to its operational needs and reserves manpower for additional programmes at the same time.

As of 30 June 2021, the Group had a total of 4,177 employees, representing an increase of 238 employees from 3,939 employees as at 31 December 2020. The actual labour costs of the Group in the first half of 2021 were controlled within the budget amount set at the beginning of this year.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Revenue

For the six months ended 30 June 2021, the Group realized a revenue of RMB581.3 million, representing a decrease of RMB27.8 million, or 4.6% from RMB609.1 million for the same period of the previous year. The decrease was mainly due to the situation of oil and gas industry and the impact of the Pandemic.

#### Other gains/(losses), net

For the six months ended 30 June 2021, other gains, net of the Group were RMB1.0 million, as compared with other losses, net of RMB3.8 million for the same period of the previous year. The movement was mainly due to fluctuations in exchange rates.

#### Material costs

For the six months ended 30 June 2021, material costs of the Group amounted to RMB97.0 million, representing a decrease of RMB44.4 million, or 31.4% from RMB141.4 million for the same period of the previous year. The decrease was mainly due to the change in business structure during the Period.

#### Employee benefit expenses

For the six months ended 30 June 2021, employee benefit expenses of the Group were RMB225.9 million, representing an increase of RMB18.0 million, or 8.7% from RMB207.9 million for the same period of the previous year. The increase was mainly due to the increase in personnel and the termination of concessions of the social security fund introduced by the government in the previous year during the Period.

#### Short-term and low-value lease expenses

For the six months ended 30 June 2021, short-term and low-value lease expenses of the Group were RMB25.6 million, representing a decrease of RMB6.9 million, or 21.2% from RMB32.5 million for the same period of the previous year. The decrease was mainly due to the the Group's adjustment of business structure.

#### Transportation costs

For the six months ended 30 June 2021, transportation costs of the Group amounted to RMB15.5 million, representing a year-on-year increase of RMB3.3 million, or 27.0% from RMB12.2 million for the same period of the previous year. The increase was mainly due to the increase of transportation difficulties and transportation rates as a result of the impact of the Pandemic.

## Management Discussion and Analysis

### Depreciation and amortisation

For the six months ended 30 June 2021, depreciation and amortisation of the Group was RMB34.2 million, representing a year-on-year decrease of RMB5.2 million, or 13.2% from RMB39.4 million for the same period of the previous year. The decrease was mainly due to full depreciation of certain fixed assets.

### Technical service expenses

For the six months ended 30 June 2021, technical service expenses of the Group were RMB80.2 million, representing a year-on-year increase of RMB7.3 million, or 10.0% from RMB72.9 million for the same period of the previous year. The increase was mainly due to the increase in subcontracting constructions during the Period.

### Impairment loss of assets

For the six months ended 30 June 2021, impairment losses of assets of the Group were RMB2.0 million, representing a year-on-year decrease of RMB4.1 million or 67.2% as compared to impairment loss of assets of RMB6.1 million in the same period of the previous year. The decrease was mainly due to the provisions being made for the impairment loss of relevant assets for the previous year.

### Others

For the six months ended 30 June 2021, other operating costs of the Group amounted to RMB60.3 million, representing an increase of RMB11.6 million, or 23.8% from RMB48.7 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

Based on the above reasons, the Group's operating profit during the Period was RMB41.6 million, while the operating profit was RMB44.2 million for the same period of the previous year.

### Finance costs, net

For the six months ended 30 June 2021, the Group's finance costs, net were RMB20.2 million, representing a year-on-year increase of RMB4.3 million, or 27.0% from RMB15.9 million for the same period of the previous year. The increase was mainly due to the increase in interest expenses as a result of the Group's increased financing efforts.

## Management Discussion and Analysis

### Income tax expense

For the six months ended 30 June 2021, income tax expense was RMB6.7 million, representing a year-on-year decrease of RMB2.9 million or 30.2% from RMB9.6 million for the same period of the previous year.

### Profit for the period

As a result of the explanations above, the Group's profit for the period was RMB14.8 million, representing a year-on-year decrease of RMB3.8 million or 20.4% from RMB18.6 million for the same period of the previous year. The decrease was mainly because the oil-field service was at the stage of cyclical recovery with declining workload as a result of the situation of oil and gas industry and the impact of the Pandemic.

### Profit attributable to equity holders of the Company

For the six months ended 30 June 2021, profit attributable to equity holders of the Company was RMB17.9 million, representing a year-on-year decrease of RMB3.5 million or 16.4% from RMB21.4 million for the same period of the previous year.

### Property, plant and equipment

As at 30 June 2021, property, plant and equipment were RMB395.5 million, representing a decrease of RMB16.8 million, or 4.1%, from RMB412.3 million as at 31 December 2020. The decrease was mainly due to provisions made for the depreciation of property, plant and equipment.

### Right-of-use assets

As at 30 June 2021, the carrying value of right-of-use assets amounted to RMB78.0 million, representing a decrease of RMB19.0 million, or 19.6% from RMB97.0 million as at 31 December 2020. The decrease was mainly due to a decrease of leases and the amortisation of right-of-use assets.

### Intangible assets

As at 30 June 2021, intangible assets were RMB3.0 million, representing a decrease of RMB0.3 million, or 9.1%, from RMB3.3 million as at 31 December 2020. The decrease was mainly due to the continuing amortisation of the existing intangible assets.

### Deferred income tax assets

As at 30 June 2021, deferred income tax assets were RMB114.2 million, representing a decrease of RMB3.5 million, or 3.0%, from RMB117.7 million as at 31 December 2020. The decrease was mainly due to utilisation of tax losses for deferred income tax assets recognized in the previous years of certain subsidiaries.



## Management Discussion and Analysis

### Prepayments and other receivables

As at 30 June 2021, the non-current portion of prepayments and other receivables was RMB18.8 million, representing a decrease of RMB10.2 million, or 35.2%, from RMB29.0 million as at 31 December 2020. The decrease was mainly due to the recognition of the Group's equipment purchased. The current portion of prepayments and other receivables was RMB251.8 million, representing an increase of RMB67.9 million, or 36.9%, from RMB183.9 million as at 31 December 2020. The increase was mainly due to the increase in prepayments to suppliers in respect of business carried out in the second half of the year and the increase in bidding deposits related to business expansion.

### Inventories

As at 30 June 2021, inventories were RMB529.5 million, representing an increase of RMB93.1 million, or 21.3%, from RMB436.4 million as at 31 December 2020. The increase was mainly due to the inventories prepared for business in the second half of the year and increased inventories resulted from the increase of incomplete projects.

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

As at 30 June 2021, contract assets, trade and note receivables were RMB905.4 million, representing a decrease of RMB150.7 million, or 14.3%, from RMB1,056.1 million as at 31 December 2020. The decrease was mainly due to the recovery of a portion of receivables of the Group during the first half of the year. As of 30 June 2021, contract liabilities, trade and note payables were RMB571.8 million, representing a decrease of RMB132.9 million, or 18.9%, from RMB704.7 million as at 31 December 2020.

### Liquidity and capital resources

As at 30 June 2021, the Group's cash and bank deposits, including cash and cash equivalents and restricted bank deposits, were RMB272.0 million, representing a decrease of RMB77.0 million, or 22.1%, from RMB349.0 million as at 31 December 2020.

As at 30 June 2021, the Group's short-term borrowings and current portion of long-term borrowings were RMB297.6 million while the long-term borrowings were RMB251.5 million. As at 31 December 2020, the Group's short-term borrowings and current portion of long-term borrowings were RMB258.3 million while the long-term borrowings were RMB233.1 million. The bank borrowings of the Group were mainly denominated in RMB and such borrowings were subject to a fixed interest rate.

As at 30 June 2021, the Group's current lease liabilities amounted to RMB13.2 million (31 December 2020: RMB18.2 million) and the non-current lease liabilities amounted to RMB33.8 million (31 December 2020: RMB46.7 million).

As at 30 June 2021, the Group's gearing ratio was 48.1%, representing an increase of 2.9% as compared with 45.2% as at 31 December 2020. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

## Management Discussion and Analysis

### Financial policy

As at 30 June 2021, the Group had a sufficient level of cash and line of credit to provide funding support for its normal course of business. The management will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy cash flow to ensure the steady operation of the Group.

### Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2021, the total number of ordinary shares of the Company in issue was 1,853,775,999 shares (31 December 2020: 1,853,775,999 shares). As of 30 June 2021, equity attributable to the equity holders of the Company was RMB1,222.4 million, representing an increase of RMB9.4 million, or 0.8%, as compared with RMB1,213.0 million as at 31 December 2020.

### Significant investment held

During the Period, the Group did not hold any significant investment.

### Future plans for material investments or capital assets

As at 30 June 2021, the Group had no future plans in relation to material investments or capital assets.

### 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

During the Period, 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:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Right-of-use assets	<b>4,289</b>	4,757
Trade and note receivables	<b>401,800</b>	384,000

### Assets pledged to secure the loans from a third party institution

The Group's loans from a third party institution are expiring from 2022 to 2023 and are secured by certain machinery with a carrying amount of RMB130,326,000 (31 December 2020: RMB110,257,000), and guarantee of four subsidiaries of the Group.

## Management Discussion and Analysis

### Foreign exchange risk

Fluctuations in exchange rates of Kazakhstan Tenge (KZT) and United States dollar (USD) bring foreign currency exchange risk to the Group. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales and purchases from overseas are denominated in USD. Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts are required to be denominated in KZT. As compared to the same period of the previous year, exchange rates of KZT and USD against RMB fell in general in the first half of 2021, but the changes did not have a significant impact on the Group's overall business.

### Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

### Off-balance sheet arrangement

During the Period, the Group had no off-balance sheet arrangements.

### Contractual obligations

As at 30 June 2021, the Group had capital expenditure commitments of RMB21.8 million, while operating lease commitments were mainly lease of offices, warehouses and equipment with the amount of RMB16.5 million.

### Subsequent events

The Group had no material subsequent events after 30 June 2021.

## Management Discussion and Analysis

### SUBSEQUENT WORK PLANS

Based on the current vaccination speed and effectiveness of the Vaccine, the global economy continues to recover. It is anticipated that the growth of crude oil demand will accelerate in the second half of 2021, and supply in the international crude oil market may tend to be tight. In the PRC market, the state has vigorously increased its oil and gas exploration and exploitation efforts from a strategic level, and made every effort to promote the stable and increased production of crude oil. Natural gas production continues to increase rapidly. Focusing on the Group's strategy and business objectives for 2021, the Group will continue to strengthen the following aspects of work in the second half of 2021:

1. The Group will grasp the strategic opportunity period of continuously increasing oil and gas exploration and exploitation and investment in the PRC to keep a foothold in the domestic market, taking into account overseas markets, so as to meet customers' needs for quality improvement, speed enhancement, efficiency improvement, production increase and cost reduction, and focus on value creation and efficiency improvement.
2. The Group will continue to focus on the policy of "accelerating strategic market layout and pragmatic implementation driven by technology" to optimize its business layout. The Group utilizes advanced technologies to address customer needs and leverages on technological progress to promote market expansion. The Group will continuously strengthen technology exchanges and cooperation in the industry, and open up a new prospect for symbiosis, co-creation and win-win with customers.
3. The Group will continue to improve the management level and enhance the ability to resist risks. The Group will continue to actively improve refined management level, put forth effort to improve quality and efficiency, enhance economic benefit and increase market competitiveness.
4. The Group will continue to pay attention to the development and growth of its employees, and effectively promote the establishment of a performance and technological innovation-oriented performance management system. The Group will continue to build a high-level innovative talent training system, and accelerate the training of innovative teams and top talents by relying on major technology projects.
5. The Group will continue to establish a long-term environmental, social, and governance management mechanism to constantly improve the overall level of sustainable development, and fulfill social duties and responsibilities.

## 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 2021. 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 2021.

### 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 2021 of the Group with the auditor of the Company.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities.

### CHANGES TO INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE SUBSEQUENT TO THE 2020 ANNUAL REPORT

Mr. Wu Jiwei has been an independent director of China Building Material Test & Certification Group Co., Ltd. (中國建材檢驗認證集團股份有限公司) (SH:603060) since 4 February 2021. Since 2 August 2021, he has been an independent director of Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司) (SZ:000906).

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

## Other Information

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

As at 30 June 2021, 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)	35.14%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Mr. Ethan Wu	Beneficiary of trusts (Note 2)	651,484,000 (L)	35.14%
	Beneficial owner (Note 3)	2,590,000 (L)	0.14%
Ms. Chen Chunhua	Beneficial owner (Note 3)	3,500,000 (L)	0.19%
Mr. Wan Kah Ming	Beneficial owner	33,333 (L)	0.002%
	Beneficial owner (Note 3)	1,833,334 (L)	0.10%
Mr. Wu Kwok Keung Andrew	Beneficial owner (Note 3)	3,500,000 (L)	0.19%
Mr. Li Qiang	Beneficial owner (Note 3)	11,568,000 (L)	0.62%
Ms. Zhang Yujuan	Beneficial owner (Note 3)	2,500,000 (L)	0.13%
Mr. Wu Jiwei	Beneficial owner (Note 3)	15,000,000 (L)	0.81%

Notes:

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

## Other Information

3. Mr. Wang Guoqiang, Mr. Ethan Wu, Ms. Chen Chunhua, Mr. Wan Kah Ming, Mr. Wu Kwok Keung Andrew, Mr. Li Qiang, Ms. Zhang Yujuan and Mr. Wu Jiwei hold share options in respect of these shares. Details of the share options are set out below in the section headed "Share Option Scheme".
4. "L" denotes long position.

Save as disclosed above, as at 30 June 2021, 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 2021 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 2021, 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)	7.57%
Elegant Eagle Investments Limited (Notes 1 and 6)	Interest of controlled corporation	161,972,000 (L)	8.74%
Truepath Limited	Beneficial owner	489,512,000 (L)	26.41%
Red Velvet Holdings Limited (Notes 2 and 6)	Interest of controlled corporation	489,512,000 (L)	26.41%
Credit Suisse Trust Limited (Note 3)	Trustee	711,642,242 (L)	38.39%
Greenwoods Asset Management Hong Kong Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%
Jiang Jinzhi (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%
Invest Partner Group Limited (Note 4)	Interest of controlled corporation	119,000,000 (L)	6.42%

## Other Information

### Notes:

1. Widescope Holdings Limited and Best Harvest Far East Limited are wholly owned by Elegant Eagle Investments Limited and therefore Elegant Eagle Investments Limited is deemed to be interested in 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 the Widescope Trust, the Truepath Trust and the Jumbo Wind Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited, Red Velvet Holdings Limited and Starshine Investments Limited, respectively. Therefore, Credit Suisse Trust Limited is deemed to be interested in shares of the Company held by True Harmony Limited, Widescope Holdings Limited, Truepath Limited and Jumbo Wind Limited.
4. Such 119,000,000 shares represent the same parcel of shares.
5. "L" denotes long position.
6. Pursuant to section 336 of the SFO, the shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as at 30 June 2021, 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 2021, 242,665,000 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. Since 30 June 2021, the remaining life of the New Share Option Scheme is approximately 9 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 2021 are as follows:

Grantee	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 30 June 2021	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
<b>Directors</b>									
Mr. Wang Guoqiang	1,090,000 (Note 3)	-	-	-	-	1,090,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Ethan Wu	1,090,000 (Note 3)	-	-	-	-	1,090,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Wu Jiwei	9,000,000 (Note 5)	-	-	-	-	9,000,000	26/09/2018	25/09/2028	HK\$0.740
	6,000,000 (Note 6)	-	-	-	-	6,000,000	06/12/2018	05/12/2028	HK\$0.532
Ms. Chen Chunhua	1,000,000 (Note 2)	-	-	-	-	1,000,000	29/03/2012	28/03/2022	HK\$1.360
	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Wu Kwok Keung Andrew	1,000,000 (Note 2)	-	-	-	-	1,000,000	29/03/2012	28/03/2022	HK\$1.360
	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Li Qiang	568,000 (Note 1)	-	-	-	-	568,000	20/02/2012	19/02/2022	HK\$1.292
	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	10,000,000 (Note 4)	-	-	-	-	10,000,000	31/08/2016	30/08/2026	HK\$0.490
Ms. Zhang Yujuan	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490

## Other Information

Grantee	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 30 June 2021	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
Mr. Wan Kah Ming	333,334 (Note 2)	-	-	-	-	333,334	29/03/2012	28/03/2022	HK\$1.360
	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	500,000 (Note 4)	-	-	-	-	500,000	31/08/2016	30/08/2026	HK\$0.490
<b>Employees and other grantees*</b> (in aggregate)	5,864,000 (Note 1)	-	-	-	428,000	5,436,000	20/02/2012	19/02/2022	HK\$1.292
	2,750,000 (Note 2)	-	-	-	1,450,000	1,300,000	29/03/2012	28/03/2022	HK\$1.360
	28,720,000 (Note 3)	-	-	-	2,140,000	26,580,000	13/06/2013	12/06/2023	HK\$4.694
	86,683,666 (Note 4)	-	-	-	1,516,000	85,167,666	31/08/2016	30/08/2026	HK\$0.490
	50,500,000 (Note 5)	-	-	-	400,000	50,100,000	26/09/2018	25/09/2028	HK\$0.740
	31,000,000 (Note 6)	-	-	-	-	31,000,000	06/12/2018	05/12/2028	HK\$0.532
<b>Total</b>	<b>248,599,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,934,000</b>	<b>242,665,000</b>			

\* Other grantees include Mr. Liu Ruoyan and Mr. Lin Yang who resigned as an executive Director and a non-executive Director of the Company respectively on 31 August 2018.

Notes:

1. The closing price of the shares immediately before 20 February 2012 on which the share options were granted was HK\$1.27 per share. 1/3 of which are exercisable from 20/02/2013 to 19/02/2022; 1/3 of which are exercisable from 20/02/2014 to 19/02/2022; and the remaining 1/3 are exercisable from 20/02/2015 to 19/02/2022.
2. The closing price of the shares immediately before 29 March 2012 on which the share options were granted was HK\$1.33 per share. 1/3 of which are exercisable from 29/03/2013 to 28/03/2022; 1/3 of which are exercisable from 29/03/2014 to 28/03/2022; and the remaining 1/3 are exercisable from 29/03/2015 to 28/03/2022.

## Other Information

3. The closing price of shares immediately before 13 June 2013 on which the share options were granted was HK\$4.57 per share. 1/3 of which are exercisable from 13/06/2014 to 12/06/2023; 1/3 of which are exercisable from 13/06/2015 to 12/06/2023; and the remaining 1/3 are exercisable from 13/06/2016 to 12/06/2023.
4. The closing price of shares immediately before 31 August 2016 on which the share options were granted was HK\$0.49 per share. 1/3 of which are exercisable from 31/08/2017 to 30/08/2026; 1/3 of which are exercisable from 31/08/2018 to 30/08/2026; and the remaining 1/3 are exercisable from 31/08/2019 to 30/08/2026.
5. The closing price of shares immediately before 26 September 2018 on which the share options were granted was HK\$0.73 per share. 1/3 of which are exercisable from 26/09/2019 to 25/09/2028; 1/3 of which are exercisable from 26/09/2020 to 25/09/2028; and the remaining 1/3 are exercisable from 26/09/2021 to 25/09/2028.
6. The closing price of shares immediately before 6 December 2018 on which the share options were granted was HK\$0.54 per share. 1/3 of which are exercisable from 06/12/2019 to 05/12/2028; 1/3 of which are exercisable from 06/12/2020 to 05/12/2028; and the remaining 1/3 are exercisable from 06/12/2021 to 05/12/2028.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2021 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 2021 (for the six months ended 30 June 2020: nil) to the shareholders of the Company.

By order of the Board  
**Wang Guoqiang**  
*Chairman*

The PRC, 25 August 2021

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	30 June 2021 <i>RMB'000</i> Unaudited	31 December 2020 <i>RMB'000</i> Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	395,451	412,254
Right-of-use assets	7	77,965	97,049
Intangible assets	6	2,950	3,306
Investments in associates		2,384	4,018
Deferred income tax assets	16	114,211	117,707
Prepayments and other receivables	10	18,804	28,959
Financial assets at fair value through other comprehensive income		12,752	15,718
		<b>624,517</b>	679,011
<b>Current assets</b>			
Inventories	8	529,531	436,400
Contract assets		16,033	21,811
Trade and note receivables	9	889,340	1,034,259
Prepayments and other receivables	10	251,804	183,905
Restricted bank deposits		48,678	27,337
Cash and cash equivalents		223,341	321,618
		<b>1,958,727</b>	2,025,330
<b>Total assets</b>		<b>2,583,244</b>	2,704,341
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	11	1,178	1,178
Share premium		848,026	848,026
Other reserves	12	333,843	330,378
Retained earnings		575,262	562,342
Currency translation differences		(535,919)	(528,924)
		<b>1,222,390</b>	1,213,000
<b>Non-controlling interests</b>		<b>15,486</b>	18,371
<b>Total equity</b>		<b>1,237,876</b>	1,231,371

## Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	<b>251,465</b>	233,077
Non-current lease liabilities	7	<b>33,774</b>	46,660
Deferred income tax liabilities	16	<b>21,798</b>	21,991
		<b>307,037</b>	301,728
<b>Current liabilities</b>			
Borrowings	13	<b>241,607</b>	193,000
Current portion of long-term borrowings	13	<b>55,997</b>	65,266
Contract liabilities		<b>13,485</b>	7,266
Trade and note payables	14	<b>558,269</b>	697,413
Accruals and other payables	15	<b>105,010</b>	125,298
Current income tax liabilities		<b>50,806</b>	64,795
Current lease liabilities	7	<b>13,157</b>	18,204
		<b>1,038,331</b>	1,171,242
<b>Total liabilities</b>		<b>1,345,368</b>	1,472,970
<b>Total equity and liabilities</b>		<b>2,583,244</b>	2,704,341

The accompanying notes on page 36 to 60 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 29 to 60 were approved by the Board of Directors on 25 August 2021 and were signed on its behalf.

Wang Guoqiang  
Director

Ethan Wu  
Director

# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
<b>Revenue</b>	5	<b>581,281</b>	609,140
<b>Other gains/(losses), net</b>		<b>958</b>	(3,842)
<b>Operating costs</b>			
Material costs		<b>(97,038)</b>	(141,407)
Employee benefit expenses	17	<b>(225,875)</b>	(207,868)
Short-term and low-value lease expenses		<b>(25,566)</b>	(32,475)
Transportation costs		<b>(15,497)</b>	(12,195)
Depreciation and amortisation	18	<b>(34,199)</b>	(39,426)
Technical service expenses		<b>(80,153)</b>	(72,853)
Net impairment losses of financial and contract assets		<b>(1,998)</b>	(6,143)
Others		<b>(60,267)</b>	(48,739)
		<b>(540,593)</b>	(561,106)
<b>Operating profit</b>		<b>41,646</b>	44,192
Finance income		<b>350</b>	835
Finance costs		<b>(20,506)</b>	(16,773)
<b>Finance costs, net</b>	19	<b>(20,156)</b>	(15,938)
Share of net loss of an associate accounted for using the equity method		<b>(15)</b>	–
<b>Profit before income tax</b>		<b>21,475</b>	28,254
Income tax expense	20	<b>(6,695)</b>	(9,627)
<b>Profit for the period</b>		<b>14,780</b>	18,627
<b>Profit is attributable to:</b>			
Owners of the Company		<b>17,900</b>	21,352
Non-controlling interests		<b>(3,120)</b>	(2,725)
		<b>14,780</b>	18,627
<b>Earnings per share for the profit attributable to the owners of the Company</b>			
Basic and diluted earnings per share (RMB)	22	<b>0.0097</b>	0.0115

The accompanying notes on page 36 to 60 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 2021

	Notes	Six months ended 30 June	
		2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<b>Profit for the period</b>		<b>14,780</b>	18,627
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		<b>370</b>	(20,348)
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		<b>(7,130)</b>	11,502
Changes in the fair value of equity investments at fair value through other comprehensive income		<b>(2,966)</b>	(8,593)
<b>Total comprehensive income for the period</b>		<b>5,054</b>	1,188
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>7,939</b>	3,659
Non-controlling interests		<b>(2,885)</b>	(2,471)
		<b>5,054</b>	1,188
<b>Total comprehensive income for the period</b>		<b>5,054</b>	1,188

The accompanying notes on page 36 to 60 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 2021

	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
<b>Balance as at 31 December 2019</b> <b>(Audited)</b>		1,178	847,899	324,192	(431,486)	655,757	1,397,540	102,029	1,499,569
<b>Comprehensive income</b>									
Profit/(loss) for the period		-	-	-	-	21,352	21,352	(2,725)	18,627
Other comprehensive income		-	-	(8,593)	(9,100)	-	(17,693)	254	(17,439)
<b>Total comprehensive income</b>		-	-	(8,593)	(9,100)	21,352	3,659	(2,471)	1,188
<b>Transactions with owners in their capacity as owners</b>									
Share-based payments	17	-	-	3,731	-	-	3,731	-	3,731
Transfer to statutory reserves		-	-	1,895	-	(1,895)	-	-	-
Share options exercised		-	127	(39)	-	-	88	-	88
Capital injection of a subsidiary		-	-	-	-	-	-	1,810	1,810
<b>Total transactions with owners in their capacity as owners</b>		-	127	5,587	-	(1,895)	3,819	1,810	5,629
<b>Balance as at 30 June 2020</b> <b>(Unaudited)</b>		1,178	848,026	321,186	(440,586)	675,214	1,405,018	101,368	1,506,386

The accompanying notes on page 36 to 60 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 2021

Notes	Equity attributable to the owners of the Company							Total equity RMB'000
	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	
<b>Balance as at 31 December 2020</b> <b>(Audited)</b>	1,178	848,026	330,378	(528,924)	562,342	1,213,000	18,371	1,231,371
<b>Comprehensive income</b>								
Profit/(loss) for the period	-	-	-	-	17,900	17,900	(3,120)	14,780
Other comprehensive income	-	-	(2,966)	(6,995)	-	(9,961)	235	(9,726)
<b>Total comprehensive income</b>	-	-	(2,966)	(6,995)	17,900	7,939	(2,885)	5,054
<b>Transactions with owners in their capacity as owners</b>								
Share-based payments 17	-	-	1,451	-	-	1,451	-	1,451
Transfer to statutory reserves	-	-	4,980	-	(4,980)	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	-	6,431	-	(4,980)	1,451	-	1,451
<b>Balance as at 30 June 2021</b> <b>(Unaudited)</b>	1,178	848,026	333,843	(535,919)	575,262	1,222,390	15,486	1,237,876

The accompanying notes on page 36 to 60 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<b>Cash flows from operating activities</b>			
Cash used in operations		(95,941)	(95,464)
Income tax paid		(15,319)	(6,237)
Net cash used in operating activities		(111,260)	(101,701)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(6,663)	(76,279)
Increase in restricted bank deposits		(21,341)	(10,122)
Cashflow from other investing activities		14,440	–
Interest received		275	651
Dividends received from an associate		178	82
Proceeds from disposal of property, plant and equipment		9	19
Purchases of financial assets at fair value through other comprehensive income		–	(19,616)
Purchases of intangible assets		–	(455)
Net cash used in investing activities		(13,102)	(105,720)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		167,771	236,566
Repayments of borrowings		(107,778)	(211,476)
Interest paid		(18,088)	(14,113)
Principal elements of lease payments		(10,220)	(8,710)
Payments of financing fee and deposits		(3,400)	(7,480)
Contributions from non-controlling interests		–	1,810
Proceeds from exercise of share options		–	88
Net cash generated from/(used in) financing activities		28,285	(3,315)
<b>Net decrease in cash and cash equivalents</b>		<b>(96,077)</b>	<b>(210,736)</b>
Cash and cash equivalents at beginning of the period		321,618	588,365
Exchange losses on cash and cash equivalents		(2,200)	(2,073)
<b>Cash and cash equivalents at end of the period</b>		<b>223,341</b>	<b>375,556</b>

The accompanying notes on page 36 to 60 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 2021

## 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 is principally engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in provision of oil-field services including drilling, well completion, reservoir and the manufacturing 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.

The interim condensed consolidated financial information is presented in thousands of Renminbi Yuan (the “RMB”), unless otherwise stated, and is approved for issue by the Board of Directors on 25 August 2021.

These interim condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020, 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 2021

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2020 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:

- |     |   |  |
|-----|---|--|
| (a) | Amendments to IFRS 16                                       | Covid-19-Related Rent Concessions        |
| (b) | Amendments to IFRS 9, IAS 39, IFRS 7,<br>IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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

### 4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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 are responsible for reviewing the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on this financial information.

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

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

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

#### (a) Revenue

Revenue recognised for the six months ended 30 June 2021 and 2020 are as follow:

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Drilling	<b>226,138</b>	185,973
Well completion	<b>109,735</b>	195,247
Reservoir	<b>245,408</b>	227,920
	<b>581,281</b>	609,140

The revenue from external customers reported to the CODM is measured in a manner consistent with 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 2021

### 5. SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information

The segment information for the six months ended 30 June 2021 and 2020 are as follows:

	<b>Drilling</b>	<b>Well completion</b>	<b>Reservoir</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2021 (Unaudited)</b>				
Revenue from external customers	226,138	109,735	245,408	581,281
Time of revenue recognition				
– At a point in time	2,605	64,737	27,532	94,874
– Over time	223,533	44,998	217,876	486,407
EBITDA	45,487	28,726	57,369	131,582

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

The segment information on total assets as at 30 June 2021 and 31 December 2020 are as follows:

	<b>Drilling</b>	<b>Well completion</b>	<b>Reservoir</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 30 June 2021 (Unaudited)</b>	<b>813,183</b>	<b>709,518</b>	<b>487,447</b>	<b>2,010,148</b>
As at 31 December 2020 (Audited)	897,736	743,544	460,494	2,101,774



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 5. SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	2020 <i>RMB'000</i> Unaudited
EBITDA for reportable segments	<b>131,582</b>	138,127
Unallocated expenses		
– Share-based payments ( <i>Note 17</i> )	<b>(1,451)</b>	(3,731)
– Other gains/(losses), net	<b>958</b>	(3,842)
– Unallocated overhead expenses	<b>(55,259)</b>	(46,936)
	<b>(55,752)</b>	(54,509)
	<b>75,830</b>	83,618
Depreciation and amortisation ( <i>Note 18</i> )	<b>(34,199)</b>	(39,426)
Finance income ( <i>Note 19</i> )	<b>350</b>	835
Finance costs ( <i>Note 19</i> )	<b>(20,506)</b>	(16,773)
Profit before income tax	<b>21,475</b>	28,254

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<b>Revenue</b>		
PRC	399,101	437,251
Kazakhstan	100,845	106,491
Turkmenistan	38,296	8,215
Indonesia	19,394	17,765
Canada	17,425	27,397
Middle East	2,952	9,458
Others	3,268	2,563
	<b>581,281</b>	609,140

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

	30 June	
	2021 <i>RMB'000</i> Unaudited	31 December 2020 <i>RMB'000</i> Audited
<b>Non-current assets</b>		
PRC	316,225	366,477
Kazakhstan	54,031	52,011
Middle East	32,181	37,965
Turkmenistan	22,786	25,436
Singapore	20,078	20,201
Canada	8,025	7,099
Indonesia	502	1,305
Others	40,108	29,840
	<b>493,936</b>	540,334

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, plant and equipment RMB'000</b>	<b>Intangible assets RMB'000</b>
<b>Six months ended 30 June 2021 (Unaudited)</b>		
<b>Net book value</b>		
Opening amount (Audited)	412,254	3,306
Additions	8,907	821
Depreciation and amortisation	(27,041)	(685)
Disposals	(273)	(492)
Exchange differences	1,604	–
Closing amount as at 30 June 2021 (Unaudited)	<b>395,451</b>	<b>2,950</b>
<b>Six months ended 30 June 2020 (Unaudited)</b>		
<b>Net book value</b>		
Opening amount (Audited)	403,227	3,950
Additions	20,980	760
Depreciation and amortisation	(30,792)	(1,364)
Disposals	(1,272)	–
Exchange differences	(3,283)	(44)
Closing amount as at 30 June 2020 (Unaudited)	388,860	3,302

- (a) Certain property, plant and equipment with carrying amount of RMB130,326,000 (2020: RMB110,257,000) have been pledged for the Group's bank borrowings, details of which have been set out in Note 13(c).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 7. LEASES

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

#### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
<b>Right-of-use assets</b>		
Property, plant and equipment	<b>49,532</b>	62,709
Land use rights		
– Located in PRC*	<b>19,587</b>	19,828
– Outside PRC	<b>8,846</b>	14,512
	<b>77,965</b>	97,049
<b>Lease liabilities</b>		
Current lease liabilities	<b>13,157</b>	18,204
Non-current lease liabilities	<b>33,774</b>	46,660
	<b>46,931</b>	64,864

\* The Group's land use rights primarily represent lease prepayments for the leasehold land in the PRC for a period of 50 years. As at 30 June 2021, land use rights have a remaining period of 41 years.

Certain right-of-use assets have been pledged for the Group's bank borrowings, details of which have been set out in Note 13(a)(ii) and Note 13(e)(ii).

Additions to the right-of-use assets during the six months ended 30 June 2021 were RMB2,009,000 (2020: RMB13,636,000).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 7. LEASES (CONTINUED)

#### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Notes	Six months ended 30 June	
		2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<b>Depreciation charge of right-of-use assets</b>			
Property, plant and equipment		<b>10,910</b>	9,639
Land use rights		<b>319</b>	330
	18	<b>11,229</b>	9,969
<b>Interest expense (included in finance costs)</b>			
Interest expense (included in finance costs)	19	<b>1,472</b>	1,544
Expense relating to short-term leases		<b>25,506</b>	32,445
Expense relating to leases of low-value assets that are not shown above as short-term leases		<b>60</b>	30

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 7. LEASES (CONTINUED)

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Payments of principal elements of lease	10,220	8,710
Payments of interest expense of lease	1,472	1,544
Payments of short-term and low-value lease	25,067	32,475
	<b>36,759</b>	42,729

### 8. INVENTORIES

	30 June 2021 <i>RMB'000</i> Unaudited	31 December 2020 <i>RMB'000</i> Audited
Project materials and consumables	484,515	449,090
Project-in-progress	115,285	57,941
	<b>599,800</b>	507,031
Less: provision for inventories	(70,269)	(70,631)
	<b>529,531</b>	436,400

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 9. TRADE AND NOTE RECEIVABLES

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Trade receivables	<b>886,084</b>	983,369
Less: loss allowance	<b>(108,395)</b>	(106,142)
Trade receivables – net	<b>777,689</b>	877,227
Note receivables	<b>111,651</b>	157,032
	<b>889,340</b>	1,034,259

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

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Up to 6 months	<b>522,461</b>	678,155
6 months – 1 year	<b>171,023</b>	82,939
1 – 2 years	<b>113,746</b>	277,340
2 – 3 years	<b>94,629</b>	10,712
Over 3 years	<b>95,876</b>	91,255
Trade and note receivables, gross	<b>997,735</b>	1,140,401
Less: loss allowance	<b>(108,395)</b>	(106,142)
Trade and note receivables, net	<b>889,340</b>	1,034,259

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 10. PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Current		
Advances to suppliers	<b>138,947</b>	102,333
Prepayment for taxes	<b>33,872</b>	21,668
Less: loss allowance	<b>(4,772)</b>	(4,772)
Total non-financial assets	<b>168,047</b>	119,229
Deposits and other receivables	<b>88,973</b>	69,950
Less: loss allowance	<b>(5,216)</b>	(5,274)
Total financial assets	<b>83,757</b>	64,676
	<b>251,804</b>	183,905
Non-current		
Prepayment for equipment and machinery	<b>17,570</b>	27,725
Total non-financial assets	<b>17,570</b>	27,725
Deposits and other receivables	<b>1,234</b>	1,234
Total financial assets	<b>1,234</b>	1,234
	<b>18,804</b>	28,959
Total	<b>270,608</b>	212,864



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 11. SHARE CAPITAL

	Number of shares (Thousands)	Share capital RMB'000
<b>Authorised:</b>		
Ordinary shares of USD0.0001 each		
As at 31 December 2020 and 30 June 2021	5,000,000	3,219
<b>Issued and fully paid:</b>		
Ordinary shares of USD0.0001 each		
As at 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	1,853,776	1,178

### 12. OTHER RESERVES

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Merger reserves	(148,895)	(148,895)
Share-based payments	201,354	199,903
Statutory reserves	79,352	74,372
Capital reserves	208,896	208,896
Other comprehensive income	(6,864)	(3,898)
	<b>333,843</b>	330,378

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 13. BORROWINGS

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
<b>Long-term borrowings:</b>		
– Bank loans		
– Secured (a)	<b>245,789</b>	240,757
– Unsecured (b)	<b>307</b>	205
– Loans from a third party institution, secured (c)	<b>56,631</b>	57,381
– Loans from third parties, unsecured (d)	<b>4,735</b>	–
	<b>307,462</b>	298,343
less:		
<b>Non-current portion of long-term borrowings:</b>		
– Bank loans, secured (a)	<b>224,021</b>	211,475
– Loans from a third party institution, secured (c)	<b>22,709</b>	21,602
– Loans from third parties, unsecured (d)	<b>4,735</b>	–
<b>Non-current portion of long-term borrowings</b>	<b>251,465</b>	233,077
<b>Current portion of long-term borrowings</b>	<b>55,997</b>	65,266
<b>Short-term borrowings:</b>		
– Bank loans, secured (e)	<b>220,300</b>	193,000
– Loans from a third party institution, secured (f)	<b>20,000</b>	–
– Loans from a third party, unsecured (g)	<b>1,307</b>	–
	<b>241,607</b>	193,000

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 13. BORROWINGS (CONTINUED)

#### Notes

- (a) Long-term secured bank loans comprise:
- (i) Loans totalling RMB241,500,000 (2020: RMB236,000,000) are repayable by instalments from 2022 to 2023, bearing interest at rates ranging from 6.0% to 6.60% (2020: 6.0% to 6.60%) per annum, and are secured against the right of collecting certain trade receivables under selected service contracts of respective borrower entity of the Group.
  - (ii) Loan totalling RMB4,289,000 (2020: RMB4,757,000) are repayable by instalments by January 2026, bearing interest at 3-month swap offer rate plus 3.5% (2020: 3-month swap offer rate plus 2.75%) 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 2021, the average interest rate was 5.38% (2020: 5.25%).
- (b) As at 30 June 2021, the Group has an unsecured long-term loan of CAD60,000 (equivalent to approximately RMB307,000) (2020: CAD40,000, equivalent to approximately RMB205,000) through a bank pursuant to financial relief measures provided by the Government of Canada to support businesses impacted by COVID-19. The loan is fully repayable by 31 December 2025, bearing no interest from draw down date to 31 December 2022 and 5% per annum from 1 January 2023 to 31 December 2025.
- (c) Secured loans from a third party financial institution are repayable from 2021 to 2024, bearing interest at rates ranging from 6.2% to 6.60% (2020: 6.2% to 6.60%), and are secured against certain machinery with carrying amount of RMB130,326,000 (2020: RMB110,257,000) and a guarantee provided by a subsidiary of the Group.
- (d) Loans from third parties totalling RMB4,735,000 (2020: nil) are repayable by 2023, bearing interest at 15% per annum and are unsecured.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 13. BORROWINGS (CONTINUED)

Notes (Continued)

- (e) Short-term secured bank loans comprise:
- (i) Loans totalling RMB160,300,000 (2020: RMB148,000,000) are repayable by June 2022, bearing interest at rates ranging from 6.00% to 6.20% (2020: 6.00% to 6.20%) per annum, and are secured against the right of collecting certain trade receivables under selected service contracts of respective borrower entity of the Group.
  - (ii) Loans totalling RMB50,000,000 (2020: RMB45,000,000) are repayable by June 2022, bearing interest at rates ranging from 3.60% to 4.05% (2020: 3.60% to 4.77%) per annum, and are guaranteed by third party guarantee companies ("Guarantor"). Counter-guarantees have been provided to the Guarantor by a subsidiary of the Group through pledge of a land use right of RMB19,587,000 (2020: RMB19,828,000).
  - (iii) A loan of RMB10,000,000 (2020: Nil) is repayable by June 2022, bearing interest at a rate of 5.22% per annum and is guaranteed by a subsidiary of the Group.
- (f) A loan of RMB20,000,000 (2020: Nil) is repayable by June 2022, bearing interest at a rate of 5.85% per annum, and is guaranteed by a subsidiary of the Group.
- (g) Loan from a third party of RMB1,307,000 (2020: nil) is repayable by 2022, interest free and is unsecured.
- (h) The Group's borrowings are analyzed as below:

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
RMB	<b>538,916</b>	486,381
USD	<b>5,557</b>	–
SGD	<b>4,289</b>	4,757
CAD	<b>307</b>	205
	<b>549,069</b>	491,343

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 14. TRADE AND NOTE PAYABLES

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

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Up to 6 months	<b>228,989</b>	341,989
6 months to 1 year	<b>127,635</b>	112,272
1 – 2 years	<b>54,975</b>	146,560
2 – 3 years	<b>73,200</b>	34,039
Over 3 years	<b>73,470</b>	62,553
	<b>558,269</b>	697,413

### 15. ACCRUALS AND OTHER PAYABLES

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Interest payable	<b>248</b>	576
Other payables	<b>40,563</b>	47,270
Payroll and welfare payable	<b>45,154</b>	57,473
Taxes other than income tax payable	<b>19,045</b>	19,979
	<b>105,010</b>	125,298

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 16. DEFERRED INCOME TAXATION

The movements in deferred income tax assets and liabilities during the six months ended 30 June 2021 and 2020, without taking into consideration offsetting the balances with the same tax jurisdiction, is as follow:

#### Deferred income tax assets

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
At beginning of the period	117,707	100,996
(Charged)/credit to income statement ( <i>Note 20</i> )	(3,073)	6,700
Currency translation difference	(423)	(172)
At end of the period	114,211	107,524

#### Deferred income tax liabilities

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
At beginning of the period	21,991	21,492
(Credit)/charged to income statement ( <i>Note 20</i> )	(191)	472
Currency translation difference	(2)	–
At end of the period	21,798	21,964

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 17. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Wages, salaries and allowances	<b>182,376</b>	177,156
Housing benefits	<b>8,561</b>	7,545
Pension costs*	<b>27,344</b>	14,651
Share-based payments	<b>1,451</b>	3,731
Welfare and other expenses	<b>6,143</b>	4,785
	<b>225,875</b>	207,868

\* There was no forfeited contribution during the period and available for reducing the Group's contributions at the end of the period (as at and for the six months ended 30 June 2020: Nil). There was also no forfeited contribution during the year ended 31 December 2020 and available for reducing the Group's contributions as at 31 December 2020.

### 18. EXPENSES BY NATURE

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Losses on disposal of property, plant and equipment	<b>134</b>	1,247
Sales tax and surcharges	<b>1,433</b>	2,014
Depreciation	<b>33,514</b>	38,062
– Right-of-use assets	<b>11,229</b>	9,969
– Property, plant and equipment	<b>22,285</b>	28,093
Amortisation of intangible assets	<b>685</b>	1,364

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 19. FINANCE COSTS, NET

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Finance income:		
– Interest income on short-term bank deposits	275	651
Net foreign exchange gains on financing activities	75	184
<b>Finance income</b>	<b>350</b>	835
Interest expense:		
– Bank borrowings	(14,094)	(10,398)
– Interest paid for lease liabilities	(1,472)	(1,544)
– Bank charges and others	(1,284)	(1,271)
– Secured loans from a third party institution	(3,656)	(3,560)
<b>Finance costs</b>	<b>(20,506)</b>	(16,773)
<b>Finance costs, net</b>	<b>(20,156)</b>	(15,938)



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 20. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Current income tax		
– PRC	1,208	1,318
– Overseas	2,605	14,537
	<b>3,813</b>	15,855
Deferred income tax	2,882	(6,228)
Income tax expense	<b>6,695</b>	9,627

The Group operates mainly in the PRC and overseas. During the six months ended 30 June 2021, the estimated income tax rates applicable to the Group entities (excluding group companies that are currently tax exempted) ranged from 5% to 30% (for the six months ended 30 June 2020: 5% to 30%).

PRC enterprise income tax ("EIT") is provided based on the estimated taxable profit of the subsidiaries established in the PRC at rates primarily ranging from 15% to 25% (2020: 15% to 25%).

### 21. DIVIDEND

The Board did not propose a dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 22. EARNINGS PER SHARE

#### (a) Basic

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

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Profit attributable to owners of the Company (RMB'000)	<b>17,900</b>	21,352
Weighted average number of ordinary shares in issue (thousands)	<b>1,853,776</b>	1,853,773
Basic earnings per share (RMB per share)	<b>0.0097</b>	0.0115

#### (b) Diluted

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

The share options in issue have not been included in the calculation of the diluted earnings per share, as these share options had no dilutive effect during the six months ended 30 June 2021.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 23. COMMITMENTS

#### (a) Capital commitments

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

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Property, plant and equipment	<b>21,836</b>	30,908

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

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

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
No later than 1 year	<b>16,472</b>	25,419

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

#### (a) Transactions with related parties

##### (i) Sales of services

	Six months ended 30 June	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
An associate	-	142

##### (ii) Balances with related parties

	30 June	31 December
	2021 RMB'000 Unaudited	2020 RMB'000 Audited
Receivables due from an associate	-	20,756

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 24. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Key management compensation

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

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>Unaudited</b>	2020 <i>RMB'000</i> Unaudited
Salaries and other short-term benefits	<b>5,040</b>	2,626
Share-based payments	<b>772</b>	2,023
Retirement benefits and others	<b>516</b>	323
	<b>6,328</b>	4,972