



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



2022 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
Mr. Ma Xiaohu (Appointed on 10 June 2022)

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. Lai Siu Kuen (Appointed on 10 June 2022)
Ms. Ho Siu Pik (Resigned on 10 June 2022)

COMPANY SECRETARY

Ms. Lai Siu Kuen (*FCG, HKFCG*)
(Appointed on 10 June 2022)
Ms. Ho Siu Pik (Resigned on 10 June 2022)

COMPANY WEBSITE

www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

Corporate Information

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

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

LEGAL COUNSEL

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

PRINCIPAL BANKERS

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

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

1251

DATE OF LISTING

23 December 2011



Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2022, due to the emergence of mutated strains such as Omicron, the COVID-19 pandemic (the “**Pandemic**”) continued globally, which slowed down the recovery of the world economy. Since the beginning of the year, geopolitical conflicts caused a fluctuation of high international oil price and increased uncertainties of global oil supply. Despite the challenges of economic recession and the Pandemic, the global oil demand has continued to recover. At the same time, the global demand for natural gas also surged. Although oil companies’ investment in the field of upstream oil and gas exploration and development showed an upward trend in the beginning of this year as compared with the previous year, it takes time for the increase in capital expenditure to result in the implementation of production capacity. Benefiting from high oil prices, the oil-field service industry continued to improve.

During the Period, the Group recorded revenue of RMB732.8 million, representing an increase of RMB151.5 million, or 26.1% from the same period of the previous year; and recorded a profit for the period of RMB8.0 million, representing a decrease of RMB6.8 million or 45.9% as compared with the same period of the previous year. In terms of revenue by region, revenue from the PRC market amounted to RMB492.9 million, representing an increase of RMB93.8 million, or 23.5% as compared with the same period of the previous year, and accounted for 67.3% of the total revenue. Revenue from the overseas markets amounted to RMB239.9 million, representing an increase of RMB57.7 million, or 31.7% as compared with the same period of the previous year, and accounted for 32.7% of the total revenue.

In the first half of 2022, the Group adopted the following measures to cope with the new situation and new challenges faced by the oil-field service industry: firstly, actively explored new markets based on customer demand. Under the background of accelerating energy transformation by customers, the Group continued to integrate advantageous resources, improve business layout, comprehensively promote the expansion of emerging markets and low-carbon projects, and promote the coordinated development of traditional business and new energy business. Secondly, we continued to implement the development strategy of “technology-driven development and continuous improvement of management efficiency”, and promoted the development and improvement of the Group’s technical capabilities through various channels such as independent research and development, technology introduction and integration of technical resources. Thirdly, we actively promoted the construction of environmental, social and governance mechanisms; continued to carry out normalization of Pandemic prevention and control; established safety and environmental protection management while strengthening risk control; continued to implement refined management, reduce costs and increase efficiency to ensure stability.

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 RMB732.8 million, representing an increase of RMB151.5 million or 26.1% from the same period of the previous year. The analysis of the Group's revenue by business segments are as follow:

Revenue	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change (%)
Reservoir	297,429	245,408	21.2%
Drilling	179,471	226,138	(20.6%)
Well completion	172,616	109,735	57.3%
Others*	83,261	–	100%
Total	732,777	581,281	26.1%

* Others include the sales of alcohol and gas.

Revenue from reservoir segment amounted to RMB297.4 million, up by RMB52.0 million or 21.2% from the same period of the previous year, accounting for 40.6% of the total revenue. Revenue from drilling segment amounted to RMB179.5 million, down by RMB46.7 million or 20.6% from the same period of the previous year, accounting for 24.5% of the total revenue. Revenue from well completion segment amounted to RMB172.6 million, up by RMB62.9 million or 57.3% from the same period of the previous year, accounting for 23.6% of the total revenue. Revenue from other segments increased by RMB83.3 million from last year, accounting for 11.3% of the total revenue. In terms of proportions, the revenue from reservoir segment accounts for a larger part of the total revenue, and increased compared to the revenue of the same period of the previous year. The revenue contributions from drilling and well completion business segments are comparable, of which the revenue from drilling segment decreased compared with the same period of the previous year and the revenue from well completion increased significantly compared with the same period of the previous year.

RESERVOIR SERVICE SEGMENT

Revenue from reservoir segment	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change (%)
PRC	205,210	152,817	34.3%
Overseas	92,219	92,591	(0.4%)
Total	297,429	245,408	21.2%

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 and repair service of surface production devices, etc.



Management Discussion and Analysis

During the Period, the Group's reservoir segment recorded revenue of RMB297.4 million, representing an increase of RMB52.0 million or 21.2% as compared to the same period of previous year. Revenue from reservoir segment in the PRC market amounted to RMB205.2 million, representing an increase of RMB52.4 million or 34.3% as compared to the same period of previous year. As for overseas reservoir segment, it recorded revenue of RMB92.2 million, representing a decrease of RMB0.4 million or 0.4% as compared to the same period of last year. During the period, the increase in revenue of domestic reservoirs was mainly due to expanded business volume of station operation and maintenance services, well testing services and pressure gauge traffic in Xinjiang.

DRILLING SERVICE SEGMENT

Revenue from drilling segment	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change (%)
PRC	96,284	174,530	(44.8%)
Overseas	83,187	51,608	61.2%
Total	179,471	226,138	(20.6%)

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

During the Period, the Group's drilling segment recorded revenue of RMB179.5 million, representing a decrease of RMB46.7 million or 20.6% as compared to the same period of previous year. During the Period, revenue from drilling segment in the PRC market amounted to RMB96.3 million, representing a decrease of RMB78.2 million or 44.8% as compared to the same period of previous year. Such decrease was mainly attributable to the decrease in connected well operations of Xinjiang Tarim Oilfield. As for drilling segment in overseas market, it recorded revenue of RMB83.2 million, representing an increase of RMB31.6 million or 61.2% as compared to the same period of previous year. The growth was attributable to the increase in overseas workover operations.

WELL COMPLETION SERVICE SEGMENT

Revenue from well completion segment	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change (%)
PRC	129,529	71,754	80.5%
Overseas	43,087	37,981	13.4%
Total	172,616	109,735	57.3%

Management Discussion and Analysis

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

During the Period, the Group's well completion segment recorded revenue of RMB172.6 million, representing an increase of RMB62.9 million or 57.3% as compared to the same period of previous year. Revenue from well completion segment in the PRC market amounted to RMB129.5 million, representing an increase of RMB57.8 million or 80.5% as compared to the same period of previous year. Such increase was mainly benefited from the significant increase in domestic business in well completion tools and the increase in numbers of the expansion of projects with new technologies. In terms of overseas well completion segment, it recorded revenue of RMB43.1 million, representing an increase of RMB5.1 million or 13.4% as compared to the same period of previous year. Such increase was mainly due to increase in business volume for well completion in both Indonesia and Kazakhstan.

OTHER SEGMENTS

Revenue from other segments	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change (%)
PRC	61,831	–	100%
Overseas	21,430	–	100%
Total	83,261	–	100%

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

During the Period, the Group's other segments recorded revenue of RMB83.3 million, representing an increase of RMB83.3 million from the same period of previous year. Other revenue from the PRC market amounted to RMB61.8 million, representing an increase of RMB61.8 million as compared to the same period of previous year, which was generated from sales business of natural gas in Xinjiang. Other revenue from overseas markets amounted to RMB21.4 million, representing an increase of RMB21.4 million as compared to the same period of previous year, which was generated from the production and sales business of edible alcohol project in Ghana, Africa.



Management Discussion and Analysis

MARKET ENVIRONMENT

Entering into 2022, the increase of international oil prices enabled active oil and gas exploration activities at home and abroad. The financial results of the three major international oil-field service companies in the second quarter of this year showed that they all achieved positive profitability and achieved revenue performance exceeding market expectations, indicating that the prosperity of the oil-field service industry is gradually improving. After the energy transformation in recent years, the global energy industry is deeply aware that oil and gas resources are still the undisputed main sources of energy for the global social and economic development, and they cannot be replaced for a long time to come. In order to maintain the foundation for the survival and development of the oil and gas industry, it is an urgent task for oil companies to continue to increase investment in upstream oil and gas exploration. In the long run, economic recovery, energy security and population growth after the Pandemic will continue to drive the increase in oil and gas demand. All of the above can serve as an important support for the oil-field service industry to enter into an upward cycle steadily. In the PRC market, under the guidance of the new strategy of energy security, oil and gas companies will continue to promote oil and gas exploration and development, implement a series of strategic measures such as increasing reserves and production capacity, and improving quality and efficiency in the long run. Oil-field service enterprises shall, while committed to promoting high-efficiency and low-emission technologies in the traditional energy sector, actively integrate into the trend of energy transformation, actively invest in renewable energy technologies, accelerate the development and utilization of new energy, and strive to become an integrator of energy technologies.

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 fully resumed work and production, and the business has developed steadily, yet several overseas projects are still impacted by the Pandemic and faced issues including difficulties in mobilization of workers and slower work pace. In Central Asia, the business volume of the Company was full, and the overall business in Kazakhstan grew significantly. The workload of well workover projects has increased significantly, and the implementation of new technology projects such as black nano-oil displacement agent, white nano heavy oil and chemical water plugging has been vigorously promoted. The overall business in Turkmenistan is improving. The project department has laid solid foundation for the further development of business with its outstanding operational ability and problem-solving ability, and will continue to promote the local projects to actively explore the local market. In the Middle East, the production of oil wells in the Dongba Oilfield project made a major historical breakthrough, which won the recognition of customers, consolidated the trust of customers, created economic value, and laid the foundation for further market development. The African region has made great efforts to expand the market in Uganda, South Sudan, Chad and Niger, and successively won the bidding of new projects and started to implement them.

Revenue from Kazakhstan as a percentage of the Group's revenue from the overseas markets was 54.6%. Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. Revenues in Canada, Indonesia and the Middle East all increased to varying degrees.

Management Discussion and Analysis

PRC Market

Under the current complex global political and economic environment, maintaining the baseline of oil and gas strategic security and coping with the uncertainty of the external environment with the certainty of increasing oil and gas production in China has become an important strategy for China's national energy security. In July 2022, the National Energy Administration held a work promotion meeting to vigorously enhance oil and gas exploration and development, reiterated to vigorously promote the implementation of oil and gas-related plans and increase upstream investment with greater efforts to help ensure economic operation and the needs of people's livelihood; China will vigorously promote the exploration and development of offshore oil and gas to make new breakthroughs and improve the degree of exploration of offshore oil and gas resources. In order to achieve the goal of increasing production, the three major state-owned oil companies have increased their upstream capital expenditures. In 2021, the total capital expenditures of China National Petroleum Corp ("**CNPC**"), China Petroleum and Chemical Corporation ("**Sinopec**") and China National Offshore Oil Corporation ("**CNOOC**") increased year on year by 2%, 24% and 13%, respectively; in 2022, it is expected that CNPC, Sinopec and CNOOC will further increase the investment, and the upstream capital expenditure is expected to increase year on year by 2%, 20% and 8%, respectively. The continuous increase in policies has provided strong support to meet the growth of domestic oil and gas demand and provided a good guarantee for the recovery of the domestic oil-field service industry. However, due to the uncertainties in economy recovery brought by the pandemic, oil companies are still vigorously strengthening the development strategy of reducing costs and increasing efficiency, resulting in constant low level of the oil services price, and the profits of service companies was continued to be squeezed.

In this context, the Group rationally deployed in the Xinjiang market and seized opportunities to expand business. The Group has always been aiming at the needs of customers, through continuous technological innovation to overcome difficulties and to affirm 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 is mainly due to the solid promotion of equipment maintenance and pipeline operation and maintenance business undertaken by Tarim and Southwest Tarim oil and gas development departments, and the operation of oil and gas installation operation business. In terms of well completion, the Group's position in the high-end well completion market in Xinjiang has been further consolidated. In terms of drilling, the Group has conducted operations for rotary control switches for multiple wells in the Tarim Oilfield, which was highly recognized by the customer for the quality service. At the same time, the Group proactively promoted the drilling fluid for the environmentally friendly water-based system and received positive market response. In terms of well workover, several well workover teams were stationed at CNPC Northwest Oilfield to operate on an ongoing basis, where we earned high recognition from customers and was graded as a quality contractor, and thus consolidating its position in the market. In the future, the Group will use well workover as the platform to constantly expand projects in side tracking technology so as to serve the high performance downhole tool operation and other projects, further expanding our business. The Group has also actively expanded its business types, vigorously developing natural gas sales business in Xinjiang, and the volume of natural gas sales increased significantly in the first half of 2022.



Management Discussion and Analysis

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. During the Period, the Company in Sichuan and Chongqing increased its business expansion efforts and expanded its layout in new markets. As compared to the corresponding period of last year, well completion business recorded a significant increase in new orders.

Furthermore, in recent years, the Group has actively explored the business cooperation with CNOOC in recent years. This year is the second year that the Group and China United Coalbed Methane Corp. Ltd. (“**CUCBM**”) entered into a general project contract for the drilling services project of a tight gas block, during which front-line drilling workers and project management personnel overcame difficulties and steadily promoted the work progress. The project team will continue to promote the cooperation relationship with CUCBM, expanding into other business segments and strive to achieve the pre-determined production value target as soon as possible.

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

The Group put a high value on the R&D, introduction, improvement and practical application of new technology and techniques. The Group sought to enhance core business competitiveness through state-of-the-art technology and techniques, thereby improving its production value steadily. Since the implementation of the “technology-driven” development strategy, the Group has been committed to the R&D of development service technology and techniques of oil fields. The Group has developed a set of advanced special technology and integrated solution, improving the design and execution capacity of complex and interdisciplinary projects, and laying a solid foundation for the sustained development of the Company.

In terms of oil reservoirs, the Group boasts reservoir monitoring technology, and excels in high temperature and pressure well monitoring. The Group has successfully completed the high-temperature downhole monitoring service for several wells in a certain region in Bohai during the period. After completion, the temperature of downhole remained stable at 165 °C and has lasted for three and a half months so far, which broke the high-temperature well monitoring record in the region, and was well recognized by customers, laying a sound groundwork for expanding offshore dynamic pressure monitoring market. Meanwhile, such technology has also been applied in gas storage. The abnormality analysis on a gas storage casing pressure was successfully completed, and targeted solution were proposed.

In terms of improving acquisition rate, by leveraging on its rich experience in production optimization technologies and its own leading edge in the market, the Group has built production optimization technologies series products by joining hands with domestic leading chemical manufacturers. This technology product has been well applied in multiple oilfields. In particular, the non-oxidizing environmental protection blocking remover has been applied in an oilfield to remove the blocks in a number of wells, achieving significant results. The non-oxidizing environmental protection blocking remover is featured by low concentration, safety and environmental protection, simple operation, low construction costs and good economic returns.

Management Discussion and Analysis

In terms of drilling, North Resources Oil Tools (Tianjin) Co., Ltd. (“**North Tianjin**”), the Group’s subsidiary, produced fourteen types of Polycrystalline Diamond Compact (“**PDC**”) bits, receiving highly praise from customers. The factory of North Tianjin has moved to mass production from R&D, which is conducive to improving drilling efficiency and reducing drilling costs, and further enhancing the Group’s advantage in drilling technology. In addition, the first round of updating on the new generation of high-temperature Measurement While Drilling has been completed and passed the workshop test. It is expected to conduct test on a well during next stage, further solidifying the high-temperature orientation technology capability of the Group.

In terms of well completion, the characteristics of ultra-deep reservoir, high temperature, high pressure and development of natural fractures in a well have brought great challenges to the well testing and completion. The completion packer jointly developed by the Group, Halliburton and Tarim Oilfield, which is suitable for non-standard casing, passed the standard level test and met the requirements of high temperature and high pressure operation. The completion packer has been implemented on more than ten wells. The technical indicators have reached the domestic advanced level, and the operation quality has been highly recognized by customers.

In terms of well workover, through continuous technology R&D, a good development situation has now been formed for workover fishing tools (one batch is put into use, one batch is reserved and one batch is being researched and developed). Through the development and putting into use of two series of new tools, the Group further took the lead in the technical service of slim hole complex fishing in the Tarim Oilfield. The Iraq project department (伊拉克項目部) completed the water blocking operation services for certain wells in Missan Oilfield by using the Group’s featured workover technology. Such operation result was highly recognized by customers. In respect of the treatment of casing damaged wells in a shale gas block in Sichuan and Chongqing, the Group has completed the relevant technical proposal preparation, which is expected to be implemented in the second half of the year after completion of commercial procedures.

In addition to the above, a large number of new technology applications, such as permanent reservoir monitoring technology, nano enhanced oil recovery technology, PDC bits technology, rotational steering and orientation technology, new well completion technology are gradually bringing profit growth to the Group. In addition, the Group is exploring cutting-edge technologies traction such as downhole 3D scanning, visual downhole detection technology, ultrasonic fracturing monitoring, carbon dioxide storage technology, and individualized design of nano-level stimulation agent for single well, to continually deepen the development strategy of technology traction.



Management Discussion and Analysis

HUMAN RESOURCES

Based on the Group's finalised five-year strategic plans and business objectives for 2022, the Group's human resources management system continued to focus on the goals of operation and development of the Group. The major details of the human resources work in the first half of 2022 are as follows:

1. In terms of strategic manpower allocation, the Group constantly optimized the talent structure based on business needs while building a talent pipeline for new projects.
2. The Group constantly establishes a compound talent recruitment and promotion system to improve manpower efficiency and realize effective control of costs.
3. The Group continued to push ahead with its performance-oriented management system and provide more direct basis for the resources allocation of relevant departments.
4. The Group 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. In view of the constant growth of online learning platform during the Pandemic, we comprehensively carried out the online and offline training and talent development based on indicators of "Performance Improvement", "Employee Care", "Daily Practical Lesson", "Training for New Employees" and "New Course Express". From January to June 2022, participants of the Group's training sessions reached 15,536, an increase of 51% over the corresponding period of the previous year. Those training sessions are available to employees from all business regions and project departments around the world, totalling 15,963 training hours cumulatively, an increase of 127% over the corresponding period of the previous year.
5. The Group made efforts to ensure the safety of employees in all aspects in response to the ever-changing international situation and the staff management system in all countries saw steady progress.

As of 30 June 2022, the Group had a total of 4,284 employees, representing a decrease of 220 employees from 4,504 employees as at 31 December 2021. The actual labour costs of the Group in the first half of 2022 were controlled within the budget range set at the beginning of this year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group realized a revenue of RMB732.8 million, representing a year-on-year increase of RMB151.5 million, or 26.1% from RMB581.3 million for the same period of the previous year. Such increase was mainly due to the expansion of the Group's operating business.

Other (losses)/gains, net

For the six months ended 30 June 2022, other losses, net, were RMB1.6 million, as compared with other gains, net, of RMB1.0 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 2022, material costs of the Group amounted to RMB198.4 million, representing a year-on-year increase of RMB101.4 million, or 104.5% from RMB97.0 million for the same period of the previous year. Such increase was mainly due to the expansion of the Group's operating business.

Employee benefit expenses

For the six months ended 30 June 2022, employee benefit expenses of the Group were RMB266.2 million, representing a year-on-year increase of RMB40.3 million, or 17.8% from RMB225.9 million for the same period of the previous year. Such increase was mainly due to the increase in the labour costs resulting from the expansion of the Group's operating business.

Short-term and low-value lease expenses

For the six months ended 30 June 2022, short-term and low-value lease expenses of the Group were RMB45.6 million, representing a year-on-year increase of RMB20.0 million, or 78.1% from RMB25.6 million for the same period of the previous year. The increase was mainly due to the expansion of the Group's operating business.

Transportation costs

For the six months ended 30 June 2022, transportation costs of the Group amounted to RMB11.5 million, representing a year-on-year decrease of RMB4.0 million, or 25.8% from RMB15.5 million for the same period of the previous year. The decrease was mainly due to the decrease of transportation rates.



Management Discussion and Analysis

Depreciation and amortisation

For the six months ended 30 June 2022, depreciation and amortisation of the Group was RMB29.7 million, representing a year-on-year decrease of RMB4.5 million, or 13.2% from RMB34.2 million for the same period of the previous year. The decrease was mainly due to certain fixed assets becoming fully depreciated.

Technical service expenses

For the six months ended 30 June 2022, technical service expenses of the Group were RMB69.4 million, representing a year-on-year decrease of RMB10.8 million, or 13.5% from RMB80.2 million for the same period of the previous year. Such decrease was mainly due to a decrease in subcontracting operations.

Impairment loss of assets

For the six months ended 30 June 2022, impairment losses of assets of the Group were RMB7.4 million, representing a year-on-year increase of RMB5.4 million, or 270% from RMB2.0 million in the same period of the previous year. Such increase was mainly due to the Group's more cautious consideration on provision for bad debts.

Operating costs-others

For the six months ended 30 June 2022, other operating costs of the Group amounted to RMB68.9 million, representing a year-on-year increase of RMB8.6 million, or 14.3% from RMB60.3 million for the same period of the previous year. The increase was mainly due to the increase of travel expenses and office fees as a result of the gradual recovery of overseas business and increase of manpower.

Operating profit

In view of the above reasons, the Group's operating profit during the Period was RMB33.9 million, while the operating profit was RMB41.6 million for the same period of the previous year.

Finance costs, net

For the six months ended 30 June 2022, the Group's finance costs, net were RMB21.0 million, representing a year-on-year increase of RMB0.8 million, or 4.0% from RMB20.2 million for the same period of the previous year.

Income tax expense

For the six months ended 30 June 2022, income tax expense was RMB4.7 million, representing a year-on-year decrease of RMB2.0 million, or 29.9% from RMB6.7 million for the same period of the previous year. Such decrease was mainly due to the decrease in the Group's operating profit.

Management Discussion and Analysis

Profit for the period

As a result of the explanations above, the Group's profit for the period was RMB8.0 million, as compared to RMB14.8 million for the same period of the previous year.

Profit attributable to owners of the Company

For the six months ended 30 June 2022, profit attributable to owners of the Company was RMB9.8 million, as compared to RMB17.9 million for the same period of the previous year.

Property, plant and equipment

As at 30 June 2022, property, plant and equipment were RMB403.0 million, representing an increase of RMB0.5 million, or 0.1%, from RMB402.5 million as at 31 December 2021.

Right-of-use assets

As at 30 June 2022, the carrying value of right-of-use assets amounted to RMB68.5 million, representing a decrease of RMB22.2 million, or 24.5% from RMB90.7 million as at 31 December 2021. Such decrease was mainly due to the amortization of the right-of-use assets.

Intangible assets

As at 30 June 2022, intangible assets were RMB16.7 million, representing a decrease of RMB0.7 million, or 4.0%, from RMB17.4 million as at 31 December 2021. The decrease was mainly due to the continuing amortisation of intangible assets.

Deferred income tax assets

As at 30 June 2022, deferred income tax assets were RMB117.2 million, representing an increase of RMB0.5 million, or 0.4% from RMB116.7 million as at 31 December 2021.

Prepayments and other receivables

As at 30 June 2022, the non-current portion of prepayments and other receivables was RMB2.1 million, representing a decrease of RMB3.2 million, or 60.4%, from RMB5.3 million as at 31 December 2021. The decrease was mainly due to the recognition of the Group's equipment purchased. The current portion of prepayments and other receivables was RMB240.1 million, representing an increase of RMB26.1 million, or 12.2% from RMB214.0 million as at 31 December 2021. Such increase was mainly due to the Group's prepayments to suppliers for the business in the second half year and increased bidding deposits for business expansion.



Management Discussion and Analysis

Inventories

As at 30 June 2022, inventories were RMB537.4 million, representing an increase of RMB30.1 million, or 5.9% from RMB507.3 million as at 31 December 2021. The increase was mainly due to the increase in the Group's operations.

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

As at 30 June 2022, contract assets, trade and note receivables were RMB1,039.6 million, representing an increase of RMB10.3 million, or 1.0% from RMB1,029.3 million as at 31 December 2021. Such increase was mainly due to the expansion of the Group's operating business. As at 30 June 2022, contract liabilities, trade and note payables were RMB629.4 million, representing a decrease of RMB88.7 million, or 12.4% from RMB718.1 million as at 31 December 2021. The decrease was mainly due to the settlement to suppliers by the Group.

Liquidity and capital resources

As at 30 June 2022, the Group's cash and bank deposits, including cash and cash equivalents and restricted bank deposits, were RMB168.8 million, representing a decrease of RMB220.0 million, or 56.6% from RMB388.8 million as at 31 December 2021. The decrease was mainly due to the repayment of loans by the Group.

As at 30 June 2022, the Group's short-term borrowings and current portion of long-term borrowings were RMB454.4 million, while the non-current portion of long-term borrowings were RMB43.5 million. As at 31 December 2021, the Group's short-term borrowings and current portion of long-term borrowings were RMB352.8 million, while the non-current portion of long-term borrowings were RMB225.1 million. As at 30 June 2022, the bank borrowings of the Group were mainly denominated in RMB and such borrowings were subject to fixed interest rates.

As at 30 June 2022, the Group's current lease liabilities amounted to RMB16.4 million and the non-current lease liabilities amounted to RMB24.3 million. As at 31 December 2021, the Group's current lease liabilities amounted to RMB28.2 million and the non-current lease liabilities amounted to RMB35.8 million.

As at 30 June 2022, the Group's gearing ratio was 44.4%, representing a decrease of 8.8% as compared with 53.2% as at 31 December 2021. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2022, the total number of ordinary shares of the Company in issue was 1,853,775,999 shares (31 December 2021: 1,853,775,999 shares). As of 30 June 2022, equity attributable to the equity holders of the Company was RMB1,218.5 million, representing an increase of RMB25.0 million, or 2.1% from RMB1,193.5 million as at 31 December 2021.

Significant investment held

As at 30 June 2022, the Group did not hold any significant investment.

Management Discussion and Analysis

Material acquisitions and disposals of subsidiaries and associates

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

Assets pledged to secure bank borrowings

As at 30 June 2022, the Group pledged certain of its right-of-use assets and trade and note receivables to secure the Group's bank borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Right-of-use assets	3,603	3,873
Trade and note receivables	339,419	461,500

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 RMB67,472,000 (2021: RMB93,051,000), and guaranteed by a subsidiary of the Group.

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 against RMB depreciated in general while USD against RMB appreciated in general in the first half of 2022, but those changes did not have significant impacts on the Group's overall business.

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2022, the Group had no material off-balance sheet arrangements.



Management Discussion and Analysis

Contractual obligations

As at 30 June 2022, the Group had capital expenditure commitments of RMB37.2 million.

Subsequent events

The Group had no material subsequent events after 30 June 2022.

SUBSEQUENT WORK PLANS

In the second half of the year, oil supply shortage in Europe caused by geopolitical conflict is hard to ease, and the global oil supply and demand fundamental may continue to be tightly balanced. In the Chinese market, backed by the strong support of the government's policy, China's oil and gas expenditures driven by the scheme of increasing oil reserves and production saw steady improvement, increasing the certainty of the future performance of domestic oil service companies. Based on the Group's strategy and the business objective for 2022, the Group will continue to focus on the following in the second half of 2022:

1. By leveraging on the period of strategic opportunity for oil and gas exploration and development and investment at home and abroad, the Group will establish a strong foothold in domestic market, exploit overseas market, explore emerging markets and make overall planning in markets with strategic significance. In addition, we will advance the shift of business strategy while meeting customers' demand for "promoting the development of high-end, intelligent and low-carbon industry chain", so as to tap into new fields with its own advantages as a breakthrough 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 will try to solve customers' increasing demands on services with technology and empower sustainable development with technological innovation. It will also devote to the development of state-of-the-art technologies and techniques when a large number of new technology applications are gradually translated into growth points. The Group will attach great importance to individual technology innovation and place a high value on improving the ability to provide oil and gas companies with full business process of centralized, integrated and comprehensive energy technology service solutions in the process of energy transformation.
3. The Group will continue to improve the management level, the business layout, and the ability to resist risks. The Group will continue to actively improve the level of refined management, improve quality and efficiency, increase economic benefit to enhance market competitiveness. Through the establishment of a comprehensive risk management and control mechanism and a cost management and control system, the Group will ensure the safety level of cash flow, enhance the flexibility of operation and the ability to resist risks.

Management Discussion and Analysis

4. The Group will continue to build a high-level technical talent and marketing talent echelon, and pay attention to the development and growth of employees. Relying on major technology projects, the Group will accelerate the cultivation of innovative teams and leading talents, continue to promote the building of the performance management system, and create a fair and open platform to stimulate employees' enthusiasm for work, and to display their abilities and to realize value.
5. The Group will continue to establish a long-term ESG management mechanism to integrate ESG into corporate decision-making and operations. The Group will build a sound internal and external environment for the development of the Group by enhancing its corporate governance capabilities, enhancing information disclosure capabilities and enhancing social communication capabilities, while fulfilling its social 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 2022. 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 2022.

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 2022 of the Group.

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

During the six months ended 30 June 2022, 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 2021 ANNUAL REPORT

Mr. Ma Xiaohu has been appointed as an independent non-executive director by the Board of the Company with effect from 10 June 2022.

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 2022, 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 2022, 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 2022 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 2022, 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	651,484,000 (L)	35.14%
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 Widescope Trust and Truepath Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited and Red Velvet Holdings Limited, respectively. Therefore, Credit Suisse Trust Limited is deemed to be interested in shares of the Company held by True Harmony Limited, Widescope Holdings Limited and Truepath Limited.
4. Such 119,000,000 shares represent the same parcel of shares.
5. "L" denotes long position.
6. Pursuant to Section 336 of the SFO, the shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as at 30 June 2022, 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 2022, 224,337,666 share options under the Existing Share Option Scheme remain outstanding and exercisable upon. No further option can be granted under the Existing Share Option Scheme upon its expiration, but all options granted previously will remain exercisable in accordance with the terms of the Existing Share Option Scheme.



Other Information

1. Purpose

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

2. Participants

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

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or Invested Entities;
- (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entities; and
- (c) any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

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

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the annual general meeting held on 10 June 2021 (i.e. a total of 185,377,599 shares).

4. Maximum entitlement of each participant

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

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

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

Other Information

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

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

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

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee on acceptance of the offer for the grant of the options is HK\$1.00.

8. Basis of determining the subscription price

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

9. Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 10 June 2021, subject to the early termination provisions contained in the New Share Option Scheme. The remaining life of the New Share Option Scheme is approximately 8 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 2022 are as follows:

Grantee	Outstanding as at 1 January 2022	Number of share options				Outstanding as at 30 June 2022	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
Directors									
Mr. Wang Guoqiang	1,090,000 (Note 3)	-	-	-	-	1,090,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Ethan Wu	1,090,000 (Note 3)	-	-	-	-	1,090,000	13/06/2013	12/06/2023	HK\$4.694
	1,500,000 (Note 4)	-	-	-	-	1,500,000	31/08/2016	30/08/2026	HK\$0.490
Mr. Wu Jiwei	9,000,000 (Note 5)	-	-	-	-	9,000,000	26/09/2018	25/09/2028	HK\$0.740
	6,000,000 (Note 6)	-	-	-	-	6,000,000	06/12/2018	05/12/2028	HK\$0.532
Ms. Chen Chunhua	1,000,000 (Note 2)	-	-	-	1,000,000	0	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	0	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	0	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 2022	Number of share options				Outstanding as at 30 June 2022	Date of grant	Date of expiry	Exercise price per share
		Granted	Exercised	Cancelled	Lapsed				
Mr. Wan Kah Ming	333,334 (Note 2)	-	-	-	333,334	0	29/03/2012	28/03/2022	HK\$1.360
	1,000,000 (Note 3)	-	-	-	-	1,000,000	13/06/2013	12/06/2023	HK\$4.694
	500,000 (Note 4)	-	-	-	-	500,000	31/08/2016	30/08/2026	HK\$0.490
Employees	5,196,000 (Note 1)	-	-	-	5,196,000	0	20/02/2012	19/02/2022	HK\$1.292
	25,090,000 (Note 3)	-	-	-	2,400,000	22,690,000	13/06/2013	12/06/2023	HK\$4.694
	81,767,666 (Note 4)	-	-	-	600,000	81,167,666	31/08/2016	30/08/2026	HK\$0.490
	49,300,000 (Note 5)	-	-	-	-	49,300,000	26/09/2018	25/09/2028	HK\$0.740
	31,000,000 (Note 6)	-	-	-	-	31,000,000	06/12/2018	05/12/2028	HK\$0.532
Total	235,435,000	-	-	-	11,097,334	224,337,666			

Notes:

- The closing price of the shares immediately before 20 February 2012 on which the share options were granted was HK\$1.27 per share. 1/3 of which are exercisable from 20 February 2013 to 19 February 2022; 1/3 of which are exercisable from 20 February 2014 to 19 February 2022; and the remaining 1/3 are exercisable from 20 February 2015 to 19 February 2022.
- The closing price of the shares immediately before 29 March 2012 on which the share options were granted was HK\$1.33 per share. 1/3 of which are exercisable from 29 March 2013 to 28 March 2022; 1/3 of which are exercisable from 29 March 2014 to 28 March 2022; and the remaining 1/3 are exercisable from 29 March 2015 to 28 March 2022.
- 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 June 2014 to 12 June 2023; 1/3 of which are exercisable from 13 June 2015 to 12 June 2023; and the remaining 1/3 are exercisable from 13 June 2016 to 12 June 2023.



Other Information

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 August 2017 to 30 August 2026; 1/3 of which are exercisable from 31 August 2018 to 30 August 2026; and the remaining 1/3 are exercisable from 31 August 2019 to 30 August 2026.
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 September 2019 to 25 September 2028; 1/3 of which are exercisable from 26 September 2020 to 25 September 2028; and the remaining 1/3 are exercisable from 26 September 2021 to 25 September 2028.
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 6 December 2019 to 5 December 2028; 1/3 of which are exercisable from 6 December 2020 to 5 December 2028; and the remaining 1/3 are exercisable from 6 December 2021 to 5 December 2028.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2022 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 2022 (for the six months ended 30 June 2021: nil) to the shareholders of the Company.

By order of the Board
Wang Guoqiang
Chairman

The PRC, 25 August 2022

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	30 June 2022 <i>RMB'000</i> Unaudited	31 December 2021 <i>RMB'000</i> Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	403,027	402,533
Right-of-use assets	7	68,531	90,731
Intangible assets	8	16,677	17,384
Investments in associates		2,551	2,840
Deferred income tax assets	17	117,248	116,674
Financial assets at fair value through other comprehensive income		9,962	11,688
Prepayments and other receivables	11	2,131	5,338
		620,127	647,188
Current assets			
Inventories	9	537,409	507,280
Contract assets		12,196	30,096
Trade and note receivables	10	1,027,408	999,247
Prepayments and other receivables	11	240,123	214,029
Restricted bank deposits		14,022	29,434
Cash and cash equivalents		154,774	359,415
		1,985,932	2,139,501
Total assets		2,606,059	2,786,689
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	1,178	1,178
Share premium		848,026	848,026
Other reserves	13	335,402	332,812
Currency translation differences		(539,563)	(554,995)
Retained earnings		573,408	566,485
		1,218,451	1,193,506
Non-controlling interests		(5,915)	12,134
Total equity		1,212,536	1,205,640



Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	14	43,494	225,099
Non-current lease liabilities	7	24,311	35,807
Deferred income tax liabilities	17	26,306	25,991
		94,111	286,897
Current liabilities			
Borrowings	14	282,379	292,903
Current portion of long-term borrowings	14	172,008	59,889
Contract liabilities		43,144	44,776
Trade and note payables	15	586,221	673,355
Accruals and other payables	16	149,594	144,195
Current income tax liabilities		49,713	50,842
Current portion of lease liabilities	7	16,353	28,192
		1,299,412	1,294,152
Total liabilities		1,393,523	1,581,049
Total equity and liabilities		2,606,059	2,786,689

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 2022 and were signed on its behalf.

Wang Guoqiang
Director

Ethan Wu
Director

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Revenue	5	732,777	581,281
Other (losses)/gains, net		(1,584)	958
Operating costs			
Material costs		(198,427)	(97,038)
Employee benefit expenses	18	(266,240)	(225,875)
Short-term and low-value lease expenses		(45,571)	(25,566)
Transportation costs		(11,506)	(15,497)
Depreciation and amortisation	19	(29,744)	(34,199)
Technical service expenses		(69,423)	(80,153)
Net impairment losses of financial and contract assets		(5,913)	(1,998)
Impairment losses of inventories		(1,532)	–
Others		(68,926)	(60,267)
		(697,282)	(540,593)
Operating profit		33,911	41,646
Finance income		329	350
Finance costs		(21,377)	(20,506)
Finance costs, net	20	(21,048)	(20,156)
Share of net loss of associates accounted for using the equity method		(102)	(15)
Profit before income tax		12,761	21,475
Income tax expense	21	(4,734)	(6,695)
Profit for the period		8,027	14,780
Profit is attributable to:			
Owners of the Company		9,808	17,900
Non-controlling interests		(1,781)	(3,120)
		8,027	14,780
Earnings per share for the profit attributable to the owners of the Company			
Basic and diluted earnings per share (RMB)	23	0.0053	0.0097

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 2022

	Notes	Six months ended 30 June	
		2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Profit for the period		8,027	14,780
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(19,386)	370
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		34,853	(7,130)
Changes in fair value of equity investments at fair value through other comprehensive income		(1,726)	(2,966)
Total comprehensive income for the period		21,768	5,054
Total comprehensive income for the period attributable to:			
Owners of the Company		23,514	7,939
Non-controlling interests		(1,746)	(2,885)
		21,768	5,054
Total comprehensive income for the period		21,768	5,054

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 2022

	Equity attributable to the owners of the Company								
	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Currency translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2021									
(Audited)		1,178	848,026	332,812	(554,995)	566,485	1,193,506	12,134	1,205,640
Comprehensive income									
Profit/(loss) for the period		-	-	-	-	9,808	9,808	(1,781)	8,027
Other comprehensive income		-	-	(1,726)	15,432	-	13,706	35	13,741
Total comprehensive income		-	-	(1,726)	15,432	9,808	23,514	(1,746)	21,768
Transactions with owners in their capacity as owners									
Transfer to statutory reserves		-	-	2,885	-	(2,885)	-	-	-
Transaction with non-controlling interests	25	-	-	1,431	-	-	1,431	(16,303)	(14,872)
Total transactions with owners in their capacity as owners		-	-	4,316	-	(2,885)	1,431	(16,303)	(14,872)
Balance as at 30 June 2022									
(Unaudited)		1,178	848,026	335,402	(539,563)	573,408	1,218,451	(5,915)	1,212,536

The accompanying notes on page 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 2022

	Equity attributable to the owners of the Company								
	Notes	Share capital	Share premium	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 31 December 2020 (Audited)		1,178	848,026	330,378	(528,924)	562,342	1,213,000	18,371	1,231,371
Comprehensive income									
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)
Total comprehensive income		-	-	(2,966)	(6,995)	17,900	7,939	(2,885)	5,054
Transactions with owners in their capacity as owners									
Share-based payments	18	-	-	1,451	-	-	1,451	-	1,451
Transfer to statutory reserves		-	-	4,980	-	(4,980)	-	-	-
Total transactions with owners in their capacity as owners		-	-	6,431	-	(4,980)	1,451	-	1,451
Balance as at 30 June 2021 (Unaudited)		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 2022

	Notes	Six months ended 30 June	
		2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Cash flows from operating activities			
Cash used in operations		(91,222)	(95,941)
Income tax paid		(6,022)	(15,319)
Net cash used in operating activities		(97,244)	(111,260)
Cash flows from investing activities			
Purchases of property, plant and equipment		(20,479)	(6,663)
Decrease/(increase) in restricted bank deposits		15,412	(21,341)
Cashflow from other investing activities		–	14,440
Interest received		181	275
Dividends received from an associate		187	178
Proceeds from disposal of property, plant and equipment		46	9
Net cash used in investing activities		(4,653)	(13,102)
Cash flows from financing activities			
Proceeds from borrowings		240,147	167,771
Repayments of borrowings		(321,465)	(107,778)
Interest paid		(17,931)	(18,088)
Principal elements of lease payments		(6,292)	(10,220)
Payments of financing fee and deposits		–	(3,400)
Net cash (used in)/generated from financing activities		(105,541)	28,285
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		359,415	321,618
Effects of exchange rate changes on cash and cash equivalents		2,797	(2,200)
Cash and cash equivalents at end of the period		154,774	223,341

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 2022

1. GENERAL INFORMATION

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

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

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

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021, 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 2022

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2021 except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

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

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Annual Improvements to IFRS 2018-2020

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 2021.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 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. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

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

(a) Revenue

	Six months ended 30 June	
	2022 RMB’000 Unaudited	2021 <i>RMB’000</i> Unaudited
Drilling	179,471	226,138
Well completion	172,616	109,735
Reservoir	297,429	245,408
Others*	83,261	–
	732,777	581,281

* Others include the sales of alcohol and gas.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the six months ended 30 June 2022 and 2021 are as follows:

	Drilling	Well completion	Reservoir	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2022					
(Unaudited)					
Revenue from external customers	179,471	172,616	297,429	83,261	732,777
Time of revenue recognition					
– At a point in time	3,158	109,282	22,737	83,261	218,438
– Over time	176,313	63,334	274,692	–	514,339
EBITDA	22,252	31,070	63,844	10,450	127,616
Six months ended 30 June 2021					
(Unaudited)					
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

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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information on total assets as at 30 June 2022 and 31 December 2021 are as follows:

	Well				Total <i>RMB'000</i>
	Drilling <i>RMB'000</i>	completion <i>RMB'000</i>	Reservoir <i>RMB'000</i>	Others <i>RMB'000</i>	
As at 30 June 2022 (Unaudited)					
Segment assets	814,841	789,154	447,863	99,683	2,151,541
Unallocated assets					454,518
Total assets					2,606,059
Additions to non-current assets	4,234	1,424	19,357	11,685	36,700

	Well				Total <i>RMB'000</i>
	Drilling <i>RMB'000</i>	completion <i>RMB'000</i>	Reservoir <i>RMB'000</i>	Others <i>RMB'000</i>	
As at 31 December 2021 (Audited)					
Segment assets	841,144	750,610	414,756	99,712	2,106,222
Unallocated assets					680,467
Total assets					2,786,689
Additions to non-current assets	12,246	1,844	50,752	24,842	89,684

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
EBITDA for reportable segments	127,616	131,582
Unallocated expenses		
– Share-based payments (<i>Note 18</i>)	–	(1,451)
– Other (losses)/gains, net	(1,584)	958
– Unallocated overhead expenses	(62,479)	(55,259)
	(64,063)	(55,752)
	63,553	75,830
Depreciation and amortisation (<i>Note 19</i>)	(29,744)	(34,199)
Finance income (<i>Note 20</i>)	329	350
Finance costs (<i>Note 20</i>)	(21,377)	(20,506)
Profit before income tax	12,761	21,475



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Revenue		
PRC	492,854	399,101
Kazakhstan	130,898	100,845
Others	109,025	81,335
	732,777	581,281

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 2022 <i>RMB'000</i> Unaudited	31 December 2021 <i>RMB'000</i> Audited
	Non-current assets	
PRC	287,288	308,643
Kazakhstan	54,307	55,242
Others	147,537	150,867
	489,132	514,752

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Net book value		
Opening amount (Audited)	402,533	412,254
Additions	26,048	8,907
Depreciation	(26,448)	(27,041)
Disposals	(3,261)	(273)
Exchange differences	4,155	1,604
Closing amount (Unaudited)	403,027	395,451

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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

7. LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Right-of-use assets		
Buildings	33,591	38,893
Land use rights		
– Located in the PRC	19,104	19,345
– Outside of the PRC	9,054	8,098
Machinery and equipment	6,028	22,888
Vehicle	754	1,507
	68,531	90,731
Lease liabilities		
Current lease liabilities	16,353	28,192
Non-current lease liabilities	24,311	35,807
	40,664	63,999

Certain right-of-use assets have been pledged for the Group's bank borrowings, details of which have been set out in Note 14(a)(ii) and Note 14(e)(ii).

Additions to the right-of-use assets during the six months ended 30 June 2022 were RMB10,652,000 (2021: RMB2,009,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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	
		2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Depreciation charge of right-of-use assets			
Property, plant and equipment		8,219	10,910
Land use rights		127	319
	19	8,346	11,229
Interest expense (included in finance costs)	20	1,171	1,472
Expense relating to short-term leases		45,559	25,506
Expense relating to leases of low-value assets that are not shown above as short-term leases		12	60

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

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Payments of principal elements of lease	6,292	10,220
Payments of interest expense of lease	1,171	1,472
Payments of short-term and low-value lease	45,571	25,067
	53,034	36,759



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8. INTANGIBLE ASSETS

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Net book value		
Opening amount (Audited)	17,384	3,306
Additions	-	821
Amortisation	(707)	(685)
Disposals	-	(492)
Closing amount (Unaudited)	16,677	2,950

9. INVENTORIES

	30 June 2022 <i>RMB'000</i> Unaudited	31 December 2021 <i>RMB'000</i> Audited
	Project materials and consumables	492,273
Project-in-progress	123,861	91,817
	616,134	584,579
Less: provision for inventories	(78,725)	(77,299)
	537,409	507,280

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

10. TRADE AND NOTE RECEIVABLES

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Trade receivables	1,033,123	1,014,822
Less: provision for impairment of trade receivables	(112,170)	(110,379)
Trade receivables – net	920,953	904,443
Notes receivable	106,469	94,804
Less: provision for impairment of notes receivable	(14)	–
Notes receivable – net	106,455	94,804
	1,027,408	999,247

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

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Up to 6 months	616,993	821,048
6 months – 1 year	274,823	44,183
1 – 2 years	51,219	41,653
2 – 3 years	61,197	107,475
Over 3 years	135,360	95,267
Trade and note receivables, gross	1,139,592	1,109,626
Less: loss allowance	(112,184)	(110,379)
Trade and note receivables, net	1,027,408	999,247

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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

11. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Current		
Advances to suppliers	136,731	109,077
Prepayment for taxes	34,157	38,694
Deposits and other receivables	77,694	74,289
Less: loss allowance	(8,459)	(8,031)
	240,123	214,029
Non-current		
Prepayment for equipment and machinery	897	4,104
Deposits and other receivables	1,234	1,234
	2,131	5,338
Total	242,254	219,367

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

12. SHARE CAPITAL

	Number of shares (Thousands)	Share capital RMB'000
Authorised:		
Ordinary shares of USD0.0001 each		
As at 31 December 2021 and 30 June 2022	5,000,000	3,219
Issued and fully paid:		
Ordinary shares of USD0.0001 each		
As at 31 December 2021 (Audited) and 30 June 2022 (Unaudited)	1,853,776	1,178

13. OTHER RESERVES

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Merger reserves	(148,895)	(148,895)
Share-based payments	202,192	202,192
Statutory reserves	81,909	79,024
Capital reserves	209,850	208,419
Changes in fair value of equity investments at fair value through other comprehensive income	(9,654)	(7,928)
	335,402	332,812



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14. BORROWINGS

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Long-term borrowings:		
– Bank loans, secured (a)	142,603	213,373
– Bank loans, unsecured (b)	316	300
– Loans from a third party financial institution, secured (c)	63,038	62,223
– Loans from third parties, unsecured (d)	9,545	9,092
	215,502	284,988
Less: Current portion of long-term borrowings	(172,008)	(59,889)
Non-current portion of long-term borrowings	43,494	225,099
Short-term borrowings:		
– Bank loans, secured (e)	282,379	232,903
– Bank loans, unsecured	–	10,000
– Loans from a third party financial institution, unsecured	–	50,000
	282,379	292,903

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

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Within 1 year	454,387	352,792
1 year to 2 years	38,590	217,636
2 years to 5 years	4,904	7,400
Over 5 years	–	63
	497,881	577,891

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14. BORROWINGS (CONTINUED)

Notes

- (a) Long-term secured bank loans comprise:
- (i) Loans totaling RMB139,000,000 (2021: RMB209,500,000), bearing interest at rates ranging from 6.00% to 6.60% (2021: 6.00% 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) A loan of RMB3,603,000 (2021: RMB3,873,000), bearing interest at 3-month swap offer rate plus 3.5% (2021: 3-month swap offer rate plus 3.5%) per annum, is secured against a right-of-use asset and a guarantee provided by the Company. During the six months ended 30 June 2022, the average interest rate was 4.29% (2021: 5.38%).
- (b) As at 30 June 2022, the Group has an unsecured long-term loan of CAD60,000 (equivalent to approximately RMB316,000) (2021: CAD60,000, equivalent to approximately RMB300,000) through a bank pursuant to financial relief measures provided by the Government of Canada to support businesses impacted by COVID-19. The loan bears no interest from draw down date to 31 December 2022 and 5% per annum from 1 January 2023 to 31 December 2025.
- (c) The Group's long-term secured loans from third party financial institutions, bearing interest at rates ranging from 5.80% to 6.60% (2021: 6.20% to 6.60%), and are secured against certain machinery with carrying amount of RMB67,472,000 (2021: RMB93,051,000) and a guarantee provided by a subsidiary of the Group.
- (d) The Group's long-term unsecured loans from third parties, bearing interest at a rate of 15% per annum (2021:15%).



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14. BORROWINGS (CONTINUED)

Notes (Continued)

- (e) Short-term secured bank loans comprise:
- (i) Loans totaling RMB175,419,000 (2021: RMB207,903,000), bearing interest at rates ranging from 6.00% to 6.10% (2021: 6.00% to 6.10%) per annum, are secured against the right of collecting certain trade receivables under selected service contracts of respective borrower entity of the Group.
 - (ii) Loans totaling RMB28,240,000 (2021: RMB25,000,000), bearing interest at rates ranging from 3.92% to 4.77% (2021: 3.85% to 4.05%) per annum, 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 RMB19,104,000 (2021: RMB19,345,000).
 - (iii) Loans totaling RMB18,720,000, bearing interest at rates ranging from 3.92% to 4.77% (2021: Nil) per annum, are guaranteed by third party guarantee companies ("Guarantor"). Counter-guarantees have been provided to the Guarantor by the right of collecting certain trade receivables under selected service contracts of respective subsidiaries of the Group.
 - (iv) Loans totaling RMB60,000,000, bearing interest at rates ranging from 5.20% to 5.45% (2021: Nil) per annum, are guaranteed by a subsidiary of the Group.
- (f) The Group's borrowings are analysed as below:

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
RMB	484,417	565,111
USD	9,545	8,607
SGD	3,603	3,873
CAD	316	300
	497,881	577,891

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15. TRADE AND NOTE PAYABLES

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

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Up to 6 months	297,834	427,445
6 months to 1 year	92,397	81,903
1 – 2 years	83,613	49,851
2 – 3 years	27,947	64,693
Over 3 years	84,430	49,463
	586,221	673,355

16. ACCRUALS AND OTHER PAYABLES

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Payroll and welfare payable	61,310	63,845
Taxes other than income tax payable	32,434	33,817
Interest payable	1,604	1,351
Other payables	54,246	45,182
	149,594	144,195



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For the six months ended 30 June 2022

17. DEFERRED INCOME TAXATION

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

Deferred income tax assets

	Six months ended 30 June	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
At beginning of the period	116,674	117,707
Credited/(charged) to income statement (<i>Note 21</i>)	547	(3,073)
Currency translation difference	27	(423)
At end of the period	117,248	114,211

Deferred income tax liabilities

	Six months ended 30 June	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
At beginning of the period	25,991	21,991
Charged/(credited) to income statement (<i>Note 21</i>)	317	(191)
Currency translation difference	(2)	(2)
At end of the period	26,306	21,798

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For the six months ended 30 June 2022

18. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Wages, salaries and allowances	216,547	182,376
Housing benefits	8,673	8,561
Pension costs	32,470	27,344
Share-based payments	–	1,451
Welfare and other expenses	8,550	6,143
	266,240	225,875

19. EXPENSES BY NATURE

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
(Gains)/Losses on disposal of property, plant and equipment	(1,260)	134
Sales tax and surcharges	1,754	1,433
Depreciation	29,037	33,514
– Right-of-use assets (include land use rights) (Note 7)	8,346	11,229
– Property, plant and equipment (Note 6)	20,691	22,285
Amortisation of intangible assets (Note 8)	707	685



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20. FINANCE COSTS, NET

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Finance income:		
– Interest income on short-term bank deposits	219	275
Net foreign exchange gains on financing activities	110	75
Finance income	329	350
Interest expense:		
– Bank borrowings	(16,467)	(14,094)
– Interest paid for lease liabilities	(1,171)	(1,472)
– Other borrowings	(1,386)	(3,656)
Bank charges and others	(2,353)	(1,284)
Finance costs	(21,377)	(20,506)
Finance costs, net	(21,048)	(20,156)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

21. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Current income tax	4,964	3,813
Deferred income tax	(230)	2,882
Income tax expense	4,734	6,695

During the six months ended 30 June 2022, the estimated income tax rates applicable to the Group entities (excluding group companies that are currently tax exempted) ranged from 5% to 30% (2021: 5% to 30%).

22. DIVIDEND

The Board of Directors did not propose a dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

23. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit attributable to owners of the Company (RMB'000)	9,808	17,900
Weighted average number of ordinary shares in issue (thousands)	1,853,776	1,853,776
Basic earnings per share (RMB per share)	0.0053	0.0097

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The share options in issue have not been included in the calculation of the diluted earnings per share, as the exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the six months ended 30 June 2022 and 2021, and the diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2022 and 2021.

24. COMMITMENTS

Capital commitments

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

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Property, plant and equipment	37,218	25,183

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

25. 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.

The following transactions were carried out with related parties for the six months ended 30 June 2022 and 2021:

(a) Transactions with related parties

On 21 January 2022, pursuant to the exclusive Call Option Agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by Preference Shareholders which was disclosed in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK shall acquire a total of 350,000 preference shares from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of SGD3,200,000 (the "Transactions"). As at the date on which this set of financial statements were authorised for issue, the Transactions have been completed with consideration yet to be paid.

The effect of this transaction is summarised as follows:

	30 June 2022 RMB'000 Unaudited
Carrying amount of non-controlling interests acquired	16,303
Consideration paid to non-controlling interests	(14,872)
Difference between the consideration and the non-controlling interests acquired, which is recorded in other reserves within equity attributable to the owners of the Company	(1,431)



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

	Six months ended 30 June	
	2022 RMB'000 Unaudited	2021 <i>RMB'000</i> Unaudited
Salaries and other short-term benefits	6,523	5,040
Share-based payments	–	772
Retirement benefits and others	528	516
	7,051	6,328