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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2015 was RMB1,035.0 million, representing a decrease of RMB1,152.0 million, or 52.7%, from RMB2,187.0 million for the comparative year. The loss for the year attributable to equity owners of the Company was RMB412.2 million, representing a decrease of RMB528.4 million, or 454.7%, as compared with profit attributable to equity owners of the Company amounted to RMB116.2 million for the comparative year.

No final dividend for the year ended 31 December 2015 was proposed by the Board to the shareholders of the Company (2014: Nil).

RESULTS

The board of directors (the "Board") of SPT Energy Group Inc. (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 (the "Reporting Year"), together with the comparative figures for the comparative year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,035,007**	2,186,958
Other gains/(losses), net		**25,212**	(17,960)
Operating costs			
Material costs		**(352,372)**	(564,521)
Employee benefit expenses		**(544,423)**	(617,065)
Operating lease expenses		**(69,981)**	(134,252)
Transportation costs		**(40,976)**	(75,958)
Depreciation and amortisation		**(101,891)**	(82,744)
Technical service expenses		**(149,057)**	(261,246)
Impairment (losses)/reverse of assets		**(47,457)**	6,064
Others		**(202,201)**	(235,091)
		(1,508,358)	(1,964,813)
Operating (loss)/profit		**(448,139)**	204,185
Finance income	*10*	**2,222**	2,833
Finance expenses	*10*	**(40,024)**	(46,653)
Finance expenses, net		**(37,802)**	(43,820)
(Loss)/profit before income tax		**(485,941)**	160,365
Income tax credit/(expense)	*11*	**43,386**	(46,098)
(Loss)/profit for the year		**(442,555)**	114,267
Attributable to:			
Equity owners of the Company		**(412,165)**	116,176
Non-controlling interests		**(30,390)**	(1,909)
		(442,555)	114,267
(Losses)/earnings per share for the (loss)/profit attributable to the equity owners of the Company			
Basic (losses)/earnings per share	*13*	**(0.269)**	0.076
Diluted (losses)/earnings per share	*13*	**(0.269)**	0.075

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(442,555)**	114,267
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**35,669**	2,898
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(313,937)**	(90,134)
Total comprehensive (loss)/income for the year	**(720,823)**	27,031
Attributable to:		
Equity owners of the Company	**(692,346)**	28,798
Non-controlling interests	**(28,477)**	(1,767)
	(720,823)	27,031

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**535,343**	603,593
Land use right		**22,241**	22,724
Goodwill		**–**	781
Intangible assets		**58,417**	65,453
Deferred income tax assets		**137,609**	89,143
Prepayments	*6*	**35,750**	50,584
		789,360	832,278
Current assets			
Inventories		**393,824**	550,054
Trade and note receivables	*5*	**631,794**	1,396,110
Prepayments and other receivables	*6*	**171,553**	201,414
Restricted bank deposits		**18,855**	8,313
Cash and cash equivalents		**344,855**	595,028
		1,560,881	2,750,919
Total assets		**2,350,241**	3,583,197
Equity			
Equity attributable to the Company's equity owners			
Share capital	*7*	**974**	974
Share premium		**591,651**	591,251
Other reserves		**327,276**	282,351
Currency translation differences		**(477,136)**	(196,955)
Retained earnings		**684,530**	1,096,695
		1,127,295	1,774,316
Non-controlling interests		**119,968**	147,738
Total equity		**1,247,263**	1,922,054

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Liabilities			
Non-Current liabilities			
Borrowings		**114,356**	58,730
Deferred income tax liabilities		**23,500**	25,791
		137,856	84,521
Current liabilities			
Borrowings		**257,689**	373,585
Trade payables	*8*	**553,838**	849,080
Accruals and other payables	*9*	**111,459**	216,417
Current income tax liabilities		**40,267**	51,400
Current portion of long-term borrowings		**1,869**	86,140
		965,122	1,576,622
Total liabilities		**1,102,978**	1,661,143
Total equity and liabilities		**2,350,241**	3,583,197

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**179,619**	9,777
Interest paid	**(32,147)**	(35,956)
Interest received	**2,178**	2,833
Income tax paid	**(25,051)**	(67,417)
Net cash generated from/(used in) operating activities	**124,599**	(90,763)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(243,055)**	(172,795)
Proceeds from disposal of property, plant and equipment	**2,885**	4,089
Proceeds from disposal of available-for-sale financial assets	**–**	1,680
Purchases of intangible assets	**(5,669)**	(39,101)
Acquisition of a subsidiary, net of cash acquired	**(14)**	–
Restricted bank deposits	**(10,542)**	–
Net cash used in investing activities	**(256,395)**	(206,127)
Cash flows from financing activities		
Proceeds from borrowings	**303,987**	425,763
Repayments of borrowings	**(419,305)**	(188,757)
Dividends paid to shareholders	**–**	(77,905)
Proceeds from share options exercised	**398**	4,140
Capital injection from non-controling interests	**–**	102,371
Net cash (used in)/generated from financing activities	**(114,920)**	265,612
Net decrease in cash and cash equivalents	**(246,716)**	(31,278)
Cash and cash equivalents at beginning of the year	**595,028**	635,954
Exchange losses on cash and cash equivalents	**(3,457)**	(9,648)
Cash and cash equivalents at end of the year	**344,855**	595,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

For the year ended 31 December 2015
(Amounts expressed in RMB unless otherwise stated)

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 4th Floor, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY-1112, Cayman Islands. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of SPT Energy Group Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following amendments to standards which are mandatory for the financial year beginning on 1 January 2015:

Annual Improvements Projects	Annual Improvements 2010-2012 cycle and 2011-2013 cycle
Amendments to IAS 19	Employee benefits

The adoption of above amendments does not have any significant financial effect on these consolidated financial statements.

(b) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New standards and interpretations not yet adopted*

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted.

Amendments to IAS 1	Disclosure initiative (1)
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation (1)
Amendments to IAS 27	Equity method in separate financial statements (1)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (1)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception (1)
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations (1)
Annual Improvement Project	Annual Improvements to IFRSs 2012-2014 Cycle (1)
IFRS 15	Revenue from Contracts with Customers (2)
IFRS 9	Financial Instruments (2)
IFRS 16	Leases (3)

(1) Effective for the accounting period beginning on 1 January 2016
(2) Effective for the accounting period beginning on 1 January 2018
(3) Effective for the accounting period beginning on 1 January 2019

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) *Foreign exchange risk*

The Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia with most of the transactions denominated and settled in RMB, Kazakhstan Tenge ("KZT"), Singapore Dollar ("SGD"), Canadian Dollar ("CAD") and Indonesia Dollar ("IDR") respectively. Certain sales to and purchases from overseas are denominated in USD. Foreign exchange risk also arises from borrowings comprising bank borrowings and certain bank deposits denominated in foreign currencies. The Group is exposed to foreign currency exchange risk primarily with respect to USD, the Company's functional currency.

During the financial year, the Group has not used any financial instrument to hedge the foreign exchange risk.

On 31 December 2015, if RMB, KZT, SGD, CAD and IDR had weakened/strengthened by certain percentage against the USD with all other variables held constant the assumed changes of the exchange rates would have the following impact on the Group's foreign exchange gains/losses accounts.

Profit before income tax increase/(decrease) during the financial year:

	2015	2014
	RMB'000	*RMB'000*
RMB against USD		
– Weakened 5%	**(7,000)**	(8,072)
– Strengthened 5%	**7,000**	8,072
KZT against USD		
– Weakened 5%	**4,097**	(1,675)
– Strengthened 5%	**(4,097)**	1,675
SGD against USD		
– Weakened 5%	**182**	800
– Strengthened 5%	**(182)**	(800)
CAD against USD		
– Weakened 5%	**4,905**	5,285
– Strengthened 5%	**(4,905)**	(5,285)
IDR against USD		
– Weakened 5%	**377**	(3,545)
– Strengthened 5%	**(377)**	3,545

(ii) Cash flow and fair value interest rate risk

Other than cash and cash equivalents, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's short-term borrowings, long-term bank borrowings and convertible bonds were obtained at fixed rates which exposed the Group to fair value interest rate risk. The Group does not expect significant impact due to the changes in interest rate.

(b) Credit risk

Credit risk is managed on group basis. The carrying amounts of bank deposits, trade receivables and other receivables except prepayments included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has concentrations of credit risk on trade receivables. China National Petroleum Corporation ("CNPC"), a PRC state owned enterprise with high credit rating, along with its related entities, represented approximately 68.3% and 71.3% of the revenue of the Group for the years ended 31 December 2015 and 2014 respectively. The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's credit sales are only made to customers with appropriate credit history or their related parties who have no default history. Most of the credit period is six months. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

As at 31 December 2015 and 2014, cash and cash equivalents and restricted bank deposits, were deposited in the major financial institutions in the PRC, Kazakhstan, Canada, Hong Kong and Singapore, which the directors of the Company believe are of good credit quality. The table below shows the bank deposit balances as at 31 December 2015 and 2014:

	2015	2014
	RMB'000	*RMB'000*
PRC		
– State owned listed banks	**192,907**	366,758
– Other listed banks	**76,365**	102,273
	269,272	469,031
Kazakhstan government owned banks	**33,684**	62,695
Hong Kong listed banks	**1,821**	2,845
Singapore listed banks	**8,965**	31,408
Canada listed banks	**40,792**	30,532
Other listed banks	**7,810**	6,294
Others	**1,366**	536
Total	**363,710**	603,341

(c) ***Liquidity risk***

Cash flow forecasting is performed by Group finance department who monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, and legal requirements, for example, currency restrictions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
As at 31 December 2015				
Borrowings	**268,469**	**877**	**69,638**	**4,212**
Trade payables	**553,838**	**–**	**–**	**–**
Accruals and other payables	**26,023**	**–**	**–**	**–**
As at 31 December 2014				
Borrowings	473,920	55,776	2,112	4,818
Trade payables	849,080	–	–	–
Accruals and other payables	44,402	–	–	–

The financial guarantee contracts were signed by the Company for the Group's subsidiaries.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost or capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio and normally maintain gearing ratio below 50%. This ratio is calculated as total borrowings divided by total equity. Total borrowings include 'borrowings' and 'current portion of long-term borrowings' as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2015 and 2014 are as follows:

	2015	2014
	RMB'000	*RMB'000*
Total borrowings	**373,914**	518,455
Total equity	**1,247,263**	1,922,054
Gearing ratio	**30.0%**	27.0%

3.3 Fair value estimation

The carrying amounts less provision for impairment of trade and notes receivables, other receivables, cash and cash equivalents, restricted cash and term deposits and financial liabilities including trade and notes payables, other payables and short-term borrowings are assumed to approximately their fair values. The carrying amounts of long-term bonds approximated their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

4. SEGMENT INFORMATION

The executive directors and senior management are considered as chief operation decision-maker ("CODM") who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on these financial statements.

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

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

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

(a) Revenue

Revenue recognised during the years ended 31 December 2015 and 2014 are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Drilling	**243,925**	817,264
Well completion	**179,718**	565,802
Reservoir	**611,364**	803,892
	1,035,007	2,186,958

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

Revenue amounting to RMB706,927,000 (2014: RMB1,558,813,000) are derived from CNPC and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 2015 and 2014 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2015				
Revenue from external customers	**243,925**	**179,718**	**611,364**	**1,035,007**
EBITDA	**(231,475)**	**(107,947)**	**98,812**	**(240,610)**
Total assets	**452,307**	**792,566**	**453,346**	**1,698,219**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**22,760**	**76,310**	**20,090**	**119,160**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Total *RMB'000*
Year ended 31 December 2014				
Revenue from external customers	817,264	565,802	803,892	2,186,958
EBITDA	154,575	107,110	210,201	471,886
Total assets	1,132,380	831,098	765,337	2,728,815
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	63,344	122,390	55,093	240,827

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

	2015	2014
	RMB'000	*RMB'000*
EBITDA for reportable segments	**(240,610)**	471,886
Unallocated expenses		
– Share-based payments	**(16,147)**	(35,223)
– Other gains/(losses), net	**25,212**	(17,960)
– Unallocated overhead expenses	**(114,703)**	(131,774)
	(105,638)	(184,957)
	(346,248)	286,929
Depreciation and amortisation	**(101,891)**	(82,744)
Finance expenses	**(40,024)**	(46,653)
Finance income	**2,222**	2,833
Profit before tax	**(485,941)**	160,365

Reportable segments' assets are reconciled to total assets as follows:

	2015	2014
	RMB'000	*RMB'000*
Segment assets for reportable segments	**1,698,219**	2,728,815
Unallocated assets		
– Deferred income tax assets	**137,609**	89,143
– Unallocated inventories	**21,986**	35,017
– Unallocated prepayment and other receivables	**128,717**	126,881
– Restricted bank deposits	**18,855**	8,313
– Cash and cash equivalents	**344,855**	595,028
	652,022	854,382
Total assets per balance sheet	**2,350,241**	3,583,197

(c) Geographical segment

During the year, CODM revised its assessment on geographical segment according to the service location of the entities in the Group. To ensure a consistent comparison to the new structure, the prior year segmental information which is based on the country of domicile (location of its main operation) has been restated.

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

	2015	2014
	RMB'000	*RMB'000*
		Restated
Kazakhstan	**275,665**	911,409
PRC	**501,921**	954,622
Middle East	**62,296**	43,054
Turkmenistan	**108,918**	160,660
Canada	**63,118**	84,117
Others	**23,089**	33,096
	1,035,007	2,186,958

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

	2015	2014
	RMB'000	*RMB'000*
		Restated
Kazakhstan	**110,435**	199,940
PRC	**426,015**	451,145
Middle East	**20**	–
Turkmenistan	**33,299**	–
Canada	**24,077**	23,771
Others	**57,905**	68,279
	651,751	743,135

5. TRADE AND NOTE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables (a)	**677,217**	1,426,347
Less: allowance for impairment of trade receivables	**(56,825)**	(33,986)
Trade receivables – net	**620,392**	1,392,361
Note receivables (a)	**11,402**	3,749
	631,794	1,396,110

Notes

(a) Trade and note receivables are financial assets classified as "loan and receivables". The fair value of trade and note receivables approximated their carrying values due to their short maturity.

(b) Most of the trade receivables are with the expected credit terms of six months, except for retention money amounting to RMB9,500,000 (2014: RMB8,292,000). Except for those disclosed in (d) and (e) below, for trade receivables that are neither past due nor impaired, management considered that these were receivables from customers with long business relationship and no default history. Therefore the risk of impairment was low.

(c) Ageing analysis of gross trade receivables as at 31 December 2015 and 2014 is as follows:

	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**391,387**	1,061,059
6 months – 1 year	**88,444**	55,774
1 – 2 years	**107,193**	294,487
2 – 3 years	**86,815**	16,074
Over 3 years	**14,780**	2,702
Trade receivables, gross	**688,619**	1,430,096
Less: Impairment of trade receivables	**(56,825)**	(33,986)
Trade receivables, net	**631,794**	1,396,110

(d) Trade and note receivables - past due but not impaired.

The ageing analysis of these trade receivables is as follow:

	2015	2014
	RMB'000	*RMB'000*
6 months to 1 year	**88,206**	54,099
1 to 2 years	**106,462**	269,354
2 to 3 years	**44,484**	5,616
	239,152	329,069

These receivables relate to a number of independent customers for whom there were no recent history of default.

(e) Movements of impairment of trade receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
As at 1 January	**(33,986)**	(36,196)
Add: (provision)/reversal for impairment of trade receivables	**(22,839)**	2,210
As at 31 December	**(56,825)**	(33,986)

The individually impaired trade and note receivables mainly related to certain customers who are in unexpectedly difficult financial situations and certain receivables with long ageing which the Group considered difficult to recover.

(f) The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	2015	2014
	Equivalent in	Equivalent in
	RMB'000	*RMB'000*
RMB	**389,632**	710,337
KZT	**127,406**	545,282
USD	**108,643**	133,460
Others	**6,113**	7,031
	631,794	1,396,110

(g) Trade receivables of RMB126,000,000 (2014: RMB216,600,000) have been pledged for the Group's borrowings.

6. PREPAYMENTS AND OTHER RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Current		
Advances to suppliers	**66,602**	120,057
Prepayment for taxes	**54,590**	36,238
Total non-financial assets	**121,192**	156,295
Deposits and other receivables	**57,802**	51,821
Less: impairment of other receivables	**(7,441)**	(6,702)
Total financial assets	**50,361**	45,119
	171,553	201,414
Non-current		
Advances to suppliers (Non-financial assets)	**18,872**	34,411
Prepayment for operating lease (Non-financial assets)	**16,878**	16,173
	35,750	50,584
Total	**207,303**	251,998

Notes

(a) No deposits and other receivables as at 31 December 2015 and 2014 were past due but not impaired.

(b) The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	2015 Equivalent in *RMB'000*	2014 Equivalent in *RMB'000*
RMB	**138,566**	172,933
KZT	**24,392**	42,477
CAD	**749**	4,244
SGD	**17,698**	17,216
USD	**16,568**	6,826
Others	**9,330**	8,302
	207,303	251,998

(c) Rental deposits and other receivables are financial assets classified under "loan and receivables". The fair values of other receivables approximated their carrying values due to their short maturity.

(d) For other receivables that are neither past due nor impaired, management considered these were prepayment and other receivables from customers with long business relationship and no default history. Therefore the risk of impairment was low. Movements in impairment of other receivables representing those that were part due are as follows:

	2015	2014
	RMB'000	*RMB'000*
As at 1 January	**(6,702)**	(10,556)
Add: (provision)/reversal for impairment of other receivables	**(739)**	3,854
As at 31 December	**(7,441)**	(6,702)

(e) As at 31 December 2015, non-current prepayments amounting to RMB7,921,000 (2014: RMB9,761,000) has been pledged for the Group's borrowings.

7. SHARE CAPITAL

Issued and fully paid

	Number of shares	**Share capital**
	(Thousands)	***RMB'000***
Authorised shares:		
Ordinary shares of US$0.0001 each as at 31 December 2014 and 2015	2,000,000	1,295
Issued shares:		
As at 31 December 2013	1,530,391	972
Add: share options exercised	4,018	2
As at 31 December 2014	1,534,409	974
As at 31 December 2014	1,534,409	974
Add: share options exercised	381	–
As at 31 December 2015	**1,534,790**	**974**

8. TRADE PAYABLES

Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**290,696**	626,218
6 months to 1 year	**52,162**	147,180
1 – 2 years	**162,751**	44,234
2 – 3 years	**29,909**	18,012
Over 3 years	**18,320**	13,436
	553,838	849,080

9. ACCRUALS AND OTHER PAYABLES

	2015 *RMB'000*	2014 *RMB'000*
Interest payable	**5,436**	1,726
Rental fee payable	**4,256**	16,330
Others	**16,331**	26,346
Total financial liabilities	**26,023**	44,402
Customer deposits and receipts in advance	**6,155**	20,239
Payroll and welfare payable	**46,882**	48,839
Taxes other than income taxes payable	**32,399**	102,937
Total non-financial liabilities	**85,436**	172,015
	111,459	216,417

10. FINANCE EXPENSES, NET

	2015 *RMB'000*	2014 *RMB'000*
Net foreign exchange gains on financing activities	**44**	–
Finance income:		
– Interest income on short-term bank deposits	**2,178**	2,833
Finance income	**2,222**	2,833
Net foreign exchange losses on financing activities	**–**	(6,664)
Interest expense:		
– Bank borrowings	**(22,968)**	(22,330)
– Bank charges	**(4,167)**	(3,905)
– Liability component of convertible bonds	**(12,889)**	(13,754)
Total finance expenses	**(40,024)**	(46,653)
Net finance expenses	**(37,802)**	(43,820)

11. INCOME TAX (CREDIT)/EXPENSE

	2015 *RMB'000*	2014 *RMB'000*
Current income tax	**13,918**	63,467
Deferred income tax	**(57,304)**	(17,369)
Income tax (credit)/expense	**(43,386)**	46,098

Notes:

a. The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

b. Subsidiaries established in Netherlands and Luxemburg are subject to Netherland and Luxemburg profits tax at a rate of 20% and 30% respectively.

c. Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

d. The subsidiaries established in Singapore are subject to Singapore profits tax at 10%.

e. PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2015 and 2014, certain subsidiaries established in the western area of the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

f. The corporate income tax rate for subsidiaries established in Kazakhstan is 20%. Income tax is charged on all business income generated in Kazakhstan with relief for tax deductible expenses.

g. The corporate income tax rate for subsidiaries established in Canada is 25%.

h. The corporate income tax rate for subsidiaries established in Indonesia is 25%.

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(485,941)**	160,365
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(83,269)**	28,350
Expenses not deductible for taxation purposes	**6,295**	9,853
Losses not recognised as deferred tax assets	**33,588**	2,601
Withholding tax paid in foreign jurisdiction not deductible against local tax	**–**	5,294
Income tax (credit)/expense	**(43,386)**	46,098

12. DIVIDENDS

The Board did not propose final dividend for the years ended 31 December 2015 and 2014.

13. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity owners of the Company	**(412,165)**	116,176
Weighted average number of ordinary shares in issue (thousands)	**1,534,632**	1,533,036
Basic (losses)/earnings per share (RMB per share)	**(0.269)**	0.076

(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 two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. However, when calculating the dilutive (losses)/earnings per share for the year ended 31 December 2015, both of the convertible bonds and share options were excluded as anti-dilutive factors for the period.

	2015	2014
	RMB'000	*RMB'000*
(Losses)/earnings		
(Loss)/profit attributable to equity owners of the Company	**(412,165)**	116,176
Interest expense on convertible bonds	**Anti-dilutive**	Anti-dilutive
	(412,165)	116,176
Weighted average number of ordinary shares in issue (thousands)	**1,534,632**	1,533,036
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	**Anti-dilutive**	Anti-dilutive
– Share options (thousands)	**Anti-dilutive**	10,216
	1,534,632	1,543,252
Diluted (losses)/earnings per share	**(0.269)**	0.075

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the year ended 31 December 2015, the Group has experienced a very tough market environment. Weak demands and oversupplies have jointly intensified the market imbalance which weighed on the crude oil prices and made the prices further decline to about USD37 per barrel by the end of the Reporting Year. As compared with the highest price in June 2014 before the collapse, the crude oil prices have fallen by over 60%. We believe the collapse was mainly due to the oversupplies driven by the North America's shale oil revolution which brought crude oil flood to the market while traditional oil producers decided to maintain or even increase their outputs to protect their market shares. As no one reduced the production, the prices kept falling during the Reporting Year and it is widely expected that the low prices will not recover until the oversupplies diminish gradually after a period of time, which will not be a fast process. Under the tough situation and the pessimistic expectation, the oil companies have significantly reduced their drilling work to save costs. It has been observed that the active oil rig counts in North America have fallen sharply from its peak of over 1,500 to less than 600 by the end of the Reporting Year. However, as most of the oil producers have taken the strategy to reduce capital expenditures while maintain or even raise current outputs, the crude oil outputs kept increasing during the Reporting Year, which made the crude oil prices continue its declining trend. As new drilling work constituted a significant portion of the oil-field services market size, the oil-field services industry was significantly hit by the cost-saving measures of the oil producers. Even if the outputs have been maintained, the service prices for the production work have also been significantly reduced due to the oil companies' cost-saving efforts and the consequent intensifying competition. In addition, the local currency of Kazakhstan, where the Group generated half of its revenue, experienced continuing devaluation immediately after the central bank's declaration of restriction's cancellation of its floating exchange-rate range. As compared with the exchange rate at the beginning of the year, the currency's exchange rate has dived by about 85%. Driven by these negative factors, the Group experienced, for the first time, a significant decrease in revenue and a profitability collapse. Except for the overall market downsides which mainly adversely affected the Group's business, the Group's operation strategy also impacted the business under such specific market environment. The Group always kept asset-light strategy which has helped the Group maintain the healthy financial structure. Under current circumstance, profit margins of services contracts, in particular those driven by investment in heavy equipment, are extremely squeezed, and the investment payback periods for these equipment are remarkably extended. As such, the Group has to abandon certain opportunities, which results in further slide of revenue. However, the Group took this as a temporarily strategic contraction as the Group did it in exchange for the relevant healthy financial structure, by which the Group could maintain better liquidity to survive in the rigorous industry winter.

During the year ended 31 December 2015, the Group realised revenue amounted to RMB1,035.0 million, representing a decrease of RMB1,152.0 million, or 52.7%, as compared with that of previous comparative year. As the oil prices collapse has extended to all over the world, the Group's businesses in both China market and overseas market dwindled. Revenue from domestic market for the Reporting Year was RMB501.9 million, representing a decrease of RMB452.7 million, or 47.4%, as compared with that of previous comparative year, while revenue from overseas market for the Reporting Year was RMB533.1 million, representing a decrease of RMB699.3 million, or 56.7%, as compared with that of previous comparative year. In terms of business segment, all the three segments experienced significant drop as well. Reservoir revenue was RMB611.4 million, representing a decrease of RMB192.5 million, or 23.9%, as compared with that of previous comparative year, while well completion revenue was RMB179.7 million, representing a decrease of RMB386.1 million, or 68.2%, as compared with that of previous comparative year. Drilling revenue was RMB243.9 million, representing a decrease of RMB573.3 million, or 70.2%, as compared with that of previous comparative year.

In terms of profitability, the Group also experienced a significant drop. The net loss for the Reporting Year was RMB442.6 million, representing a decrease of RMB556.8 million, or 487.3%, as compared with that of previous comparative year. As the fixed costs and expenses usually accounted for about 50% of total operation costs and the employee benefit expenses constituted a majority of the fixed costs which were extremely difficult to be adjusted due to certain labor regulations stated by various jurisdictions where the Group operated, it was difficult for the Group to substantially cut its operating costs to align with the revenue decrease.

Despite these extreme difficulties, the Group still managed to maintain a positive operating cash flow. During the year ended 31 December 2015, the Group generated net cash amounted to RMB124.6 million from its operating activities. This success was achieved by the maintenance of a prudent and healthy financial structure and a strategic contraction in business scale.

In conclusion, the Group has experienced a very tough year. It reduced its business scale, due to not only the pressures from macro economy environment but also the temporary contraction strategy. However, the Group still maintained its healthy financial structure. The Group believed this could help it to regain the market share when the overall market situation recovers.

Revenue Analysis

For the year ended 31 December, 2015, the Group realised revenue amounted to RMB1,035.0 million, representing a significant decrease of RMB1,152.0 million, or 52.7%, as compared with that of the previous comparative year. The revenue drop was mainly due to the collapse of crude oil prices which led to the significant spending cut of oil producers and shrinkage of oil-field services market size, as well as the contraction strategy implemented by the Group for the purpose of protecting healthy financial structure so as to maintain capacities and potentials for the future market turnaround. As compared with previous years, the Group's revenue distribution has changed a lot during the Reporting Year. Oil reservoir services, being the Group's traditional strongest business line and less affected by the market collapse due to its existing well-related nature, contributed 59.1% revenue to the Group while drilling services and well completion services, being closed to oil producer's new wells drillings and therefore severely hit by the upstream cost-savings, collectively contributed 40.9% revenue to the Group. Below is the breakdown of the revenue by different service lines:

	For the year ended 31 December		
	2015	2014	Changes
	RMB'000	*RMB'000*	*(%)*
Reservoir	**611,364**	803,892	(23.9%)
Drilling	**243,925**	817,264	(70.2%)
Well Completion	**179,718**	565,802	(68.2%)
Total	**1,035,007**	2,186,958	(52.7%)

Reservoir Services Segment

Revenue	For the year ended 31 December		
	2015	2014	Changes
	RMB'000	*RMB'000*	*(%)*
		Restated	
Overseas	**340,778**	523,578	(34.9%)
People's Republic of China ("PRC")	**270,586**	280,314	(3.5%)
Total	**611,364**	803,892	(23.9%)

The Group's oil reservoir services comprised geology research and oil reservoir research services, dynamic monitoring service, oil testing service, oil recovery technology service, coiled tubing service and maintenance service of surface production devices. It has been the Group's strongest business line historically and contributed stable revenue to the Group. As the Group provided this kind of service by keeping continuing communications with clients, this service line has helped the Group set up close ties to clients and made the Group quickly understand clients' requirements and introduce other services to clients. In the past, the service line usually contributed 30% revenue to the Group. However during the Reporting Year, it has become the most contributable segment, as it was less impacted by the current market turbulence. During the Reporting Year, oil reservoir services realised revenue amounted to RMB611.4 million, representing a decrease of RMB192.5 million, or 23.9%, as compared with that of the previous comparative year. In overseas market, the Group's workload in Kazakhstan and Indonesia fell while the workload in Turkmenistan and Iraq rose. However, due to the significant devaluation of Kazakhstan's local currency, the overall revenue generated from overseas market declined by RMB182.8 million, or 34.9%, as compared with that of the previous comparative year. In domestic market, despite the increasing pressure arising from pricing, the Group managed to get more jobs and therefore its revenue generated from domestic market slightly declined by RMB9.7 million, or 3.5%, as compared with that of the previous comparative year.

During the Reporting Year, the Group's oil reservoir services were facing increasing pressures from the market, however, the Group successfully got some breakthroughs in certain markets. In domestic market, due to the strong capability and high technologies, the Group completed 12 highly difficult wells' dynamic monitoring works in Tarim oilfield. In addition, the Group successfully penetrated Sinopec's South West branch market and completed 3 wells' dynamic monitoring works. The Group also got milestone success by implementing the submersible directly driven screw pump technology on 2 wells in San Tanghu, Xinjiang area, which marked the first successful implementation in domestic horizontal wells. As the implementation of this technology can be used for oil recovery work, especially for condensed oil recovery work, and to reduce the energy consumption and enhance efficiency, the Group believed the technology will be widely used in the future. Apart from these achievements, the Group also realised over RMB40 million's revenue from sales of General Electric Company's products and based on which, the Company was granted the agent license of General Electric Company's products for one more year. In Turkmenistan, the Group managed to complete the preparation work for its coiled tubing and delivered 6 wells works to the client, which marked the first service of such kind in the market. The Group believes this kind of service will have remarkable increase in the next year.

Drilling Services Segment and Well Completion Services Segment

Drilling Services revenue	**For the year ended 31 December**		
	2015	2014	Changes
	RMB'000	*RMB'000*	*(%)*
		(Restated)	
Overseas	**81,041**	414,461	(80.4%)
PRC	**162,884**	402,803	(59.6%)
Total	**243,925**	817,264	(70.2%)

Well Completion Services revenue	**For the year ended 31 December**		
	2015	2014	Changes
	RMB'000	*RMB'000*	*(%)*
		(Restated)	
Overseas	**111,266**	294,298	(62.2%)
PRC	**68,452**	271,504	(74.8%)
Total	**179,718**	565,802	(68.2%)

The Group's drilling services line comprised drilling rig service, workover rig service, vertical drilling technology service, horizontal drilling technology service, side tracking technology service, under balance drilling technology service, fine managed pressure drilling (FMPD) technology service, cementing services and drilling fluid services. During the year ended 31 December 2015, the drilling service line realized revenue amounted to RMB243.9 million, representing a significant decrease of RMB573.3 million, or 70.2%, as compared with that of the previous comparative year.

The Group's well completion service line comprised well completion tools trading and relevant service and stimulation fracturing service. During the year ended 31 December 2015, the well completion service line realized revenue amounted to RMB179.7 million, representing a significant decrease of RMB386.1 million, or 68.2%, as compared with that of the previous comparative year.

During the Reporting Year, the drilling services line and the well completion services line experienced an extremely difficult situation. As the crude oil prices clashed, oil producers significantly reduced drilling activities and services pricing, while the market size dwindled and competition intensified. In particular, oil producers mainly cancelled or delayed the drilling works for those wells having high difficulties and usually requiring high-end technologies, materials and tools. This kind of operation changes severely hit the Group as the Group focused on difficult wells exploration and development works. As such, the Group's revenue from drilling and well completion works fell significantly. The Group considers this situation will persist for some time until the crude oil prices rebound and the market recovers. As such, the priority for these two business lines is to control costs and maintain capabilities and to wait for the market turnaround.

Market Environment

During the year ended 31 December 2015, the oil and gas markets continuously deteriorated. Accompanying global macro economy weakening and commodity prices sliding, crude oil prices went down from around USD55 for one barrel at the beginning of the year to around USD37 for one barrel at the end of the year. As compared with the highest price of around USD110 for one barrel in June 2014, the prices have dived over 60%. Although the industry has begun to cut costs since the prices falling, the world's major oil producers were producing more and more crude oil which intensified the oil market's oversupply. The market downturn has persisted for so long and it's widely speculated the situation will remain for some time rather than getting better in a short time. The demands and supplies will jointly impact the oil prices and markets and the Group always keeps an eye on them seriously:

- The global macro economy fundamentally impacts the oil consumption demands. Although the global demands weakness will still continue and China economy is growing at the lowest pace over a decade, there are still positive factors such as the recovery of the United States economy. In addition, we consider the lasting low prices will stimulate the oil consumptions which will make the oil demands increase.

- The oil supply directly impacts the oil prices. The continuing low prices have pushed the oil industry to reduce drilling wells and cut spending, which could be observed by the sharp decline of active drilling rig counts in North America from its peak of over 1,500 from one and a half year ago to less than 600 in current period. However, the major oil producers are producing more and more crude oil to the already oversupplied market. The American shale oil producers appears to be far more resilient than expected, The organization of the Petroleum Exporting Countries effectively abandoned its production ceiling. Russia is producing crude oil at its record high level while Iran is heading for the recovery of its crude oil export to the level before sanctions imposed in 2012. Nevertheless, we consider the oversupply will weigh on the prices and the descending prices will in return curb the output if the production becomes unprofitable, in particular if the prices go even below cash costs.

The Group's overseas businesses usually contribute half of the revenue to the Group and the operation in Kazakhstan accounts for nearly 80% of total overseas revenue. As oil and gas export contributes more than half of the the country's revenue, the country's economy deteriorated and its currency was also significantly affected. In August of the Reporting Year, Kazakhstan's central bank cancelled the restriction on its currency's floating exchange rate range after which the currency experienced violent turbulence and the exchange rate sharply declined to 1 USD for 339 KZT by the end of the Reporting Year, representing an 85% devaluation. As the Company's Kazakhstan oil-field service contracts were signed in KZT in accordance with the country's law, the business was severely hit. Its revenue dwindled and the operation became unprofitable. However, the Group still considers that the market deserves sustaining as it is still politically stable and maintains closed tie to the China economy. Should the oil market recover and the unreasonable services pricing be adjusted, the Group will eventually go back to the strong position in this market as it used to do.

In China market, the situation is worsening as well due to the collapse of crude oil prices. Major oilfields have significantly reduced their spending on drilling activities during the Reporting Year and in addition, as the big state-owned oil-field services providers have shareholding connections with China's oil giants, they have inherent advantage to get more jobs with all other conditions being equal. This makes independent oil-field services providers more difficult to survive in the tough industry winter. However, in spite of all these negative factors, some positive factors could still be observed:

- China economy still remains relatively higher growth as compared with other major economies in the world, even if it has experienced the slowest growing pace in a decade.

- Oil and gas remain China's most important strategic energy given coal industry has been required to significantly cut its output and other alternative energies are still under-developed or fighting technological bottlenecks.

- China has implemented its One-Belt-One-Road strategy, which will bring relevant areas and industries more development opportunities. Being the starting point of the geographical area of the One-Road, Xinjiang area will get more stimulation to develop its economy. The Company has built strong position in this market and it will surely benefit from the future development.

- China's central government has decided to break monopoly and create more transparent and more open market environment. From a long-term perspective, the oil and gas industry will become more market-oriented and more suitable for all eligible participants.

In conclusion, the current oil and gas market are extremely hard but not desperate. The demand and supply are always interacting, deviating and closing, and it is believed that the re-balance will eventually come. The turbulence will eliminate those weak participants and create more room. The stronger participants will survive and have more opportunities. The Group remains positive about the market and committed to the future growth.

R&D and Manufacturing

During the Reporting Year, the Group attached high importance to the research and development ("R&D") and manufacturing of new-type high-end application technologies or tools and allocated more resources to increase the R&D efforts. The technology R&D team endured the hardship and was courageous to take challenges in the high-end arena. Following last year's R&D achievements, we performed remarkably during the Reporting Year. Our major R&D achievements are as follows:

At our R&D base in North America, we successfully developed new-type Inclination and Gamma on Drill Bit ("INC on BIT") near bit logging while drilling ("LWD") tool and PPS71 series high-temperature logging tools (PPS71C, PPS71M and PPS71D) during the Reporting Year after its successful R&D of PPS PulseLink, a LWD tool and PPS71 high-temperature logging meter (enjoying its own intellectual property right). Among which, INC on BIT achieved the target of well deflection and gamma measuring close to the drill head, which significantly enhanced the real-time optimisation and adjustment of well tracking. Accordingly, the gamma measuring would be naturally upgraded to orientation gamma measuring, significantly increasing the optimisation and control precision of well tracking. The R&D of the prototype machine has been completed and the construction of the prototype machine is taking shape to strive for early testing in the mines. PPS71C-SRO, a capacitance parameter high-temperature direct reading logging meter of PPS71C series allows real-time logging and timely retrieval of underground reservoir fluid information. Through increasing the capacitance parameters, the stability and precision of the meter are greatly enhanced. The meter is now available on the market and is well received by our customers. The application of PPS71M and PPS71D is for underground material viscosity (PPS71M) and position logging of high water-cut well's underground water exit point (PPS71D). These two technologies solve the technology bottleneck the customers have been facing for years and are proprietary technologies currently available in the market. The technology indicators of these are of internationally leading standards and will play a key role in future market application and competition. Currently, the development of the prototype machine has been completed and pending for underground testing on site.

Our Singapore manufacturing centre and Tanggu factory focused on high-end products and special material tools. During the Reporting Year, they successfully launched a number of new products, namely, the high-pressure permanent packer and high-temperature high-pressure large-bore retrievable and hookwall packer, speed drill composite material bridge plug and static hydraulic bridge plug applicable to Middle East high oil production/gas production wells or offshore oil fields, equipping them with the manufacturing capacity of a variety of horizontal well entire lower completion strings. At the same time, we also successfully developed the high molecular plugging agent, thus solving the technology bottleneck in controlling annular pressure at the mouth of the production well that customers generally face in the course of oil and gas exploration. In this regard, our Singapore factory successfully obtained the API 14L certification and upgraded the API 11D1 certification from V6 to V3, which greatly enhanced the Group's R&D capability and credibility in the community.

Human Resources

To cope with the changing and complex market environment and operating conditions, the Group mainly made the following efforts in the area of human resources during the Reporting Year:

In line with its growth strategies, the Group further optimised and adjusted the organisational structure of the Group through consolidation into three major management segments and one centre (namely the China segment, Pan Russian speaking segment, Pan English speaking segment and the project technology centre). Through structural consolidation, the Group enhanced its operational efficiency. The establishment of the new management segments can respond to market changes more quickly and enhance the management efficiency of the segment operations. The project technology centre gathers the professional elites across the Group in the areas of operations and construction; project design, technology R&D and innovation, thus forming a strong backup for the performance and development of the Group.

The Group continued its efforts to comprehensively optimise and rationalise manpower and moderately reduced labour costs. Based on the practical needs of business development and the positioning of core businesses, the Group further eliminated duplicated positions to enhance the capabilities of each position. The Group also endeavoured to explore the potential of human resources within the Company to enhance the working efficiency of its employees. As at the end of the Reporting Year, the total number of employees registered with the Group was reduced to 3,400, saving labour costs of approximately RMB80 million during the year. In addition, following the pay cut of the management at the beginning of the year, the Group took into account the actual conditions and implemented a pay cut across its employees with effect from 1 September of the Reporting Year.

Leveraging on the advantages of its extensive training resources, the Group continued to introduce a number of human resources training programmes. During the Reporting Year, the scope of internal training of the Group was expanded to offer a variety of training programmes to thousands of employees across the Group. The training programmes focused on market development, business practices, operational procedures, new processes, new technologies, and safety and environment protection. The results of these were positive.

Our Plans

1. Liquidity remains the prioritized strategic goal of the Group in the next fiscal year. The current crude oil prices have fallen to a-decade low level and the market has been continuing its downturn since the crude prices slide in September 2014. Significant spending cuts have been observed and it's widely estimated the market will begin re-balancing in 2017. Under such circumstance, liquidity is becoming more important than market share and temporary profitability for a company to ensure its survival through the extreme difficult market environment. During the year ended 31 December 2015, the Group has strictly complied with the strategy and it even temporarily sacrificed its market share and profitability to maintain liquidity. The resulting relatively healthier balance sheet proved the success of the strategy. In the coming fiscal year, the Group will continue to adopt this strategy.

2. Cost-saving measures will be continued. Under the low crude oil prices, oil-field services providers have to reduce costs to improve competitiveness. During the year ended 31 December 2015, the Group has taken various measures to save costs and this strategy will persist in the coming fiscal year. The cost-saving measures will be implemented more by improving the organization and management of production.

3. Technology Development will be the key factor to improve competitiveness. The Group will focus its efforts on the technology research and upgrading work. Taking the advantage of a lot of industry specialists and professionals assembled within the Group, the Group will continuingly develop its core technologies. The Group believes this will constitute the core competitiveness and provide strong support to the Group's business under such difficult circumstance.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, revenue of the Group was RMB1,035.0 million, representing a decrease of RMB1,152.0 million, or 52.7%, as compared with that of RMB2,187.0 million for the previous comparative year. The decrease was mainly due to the continuing low crude oil prices which led to the depression of the industry investment and the shrinkage of the oil-field services market.

Other gains/(losses), net

For the year ended 31 December 2015, other gains, net of the Group were RMB25.2 million, while other losses, net for the previous comparative year were RMB18.0 million. The net gains for the Reporting Year were primarily due to the appreciation of USD-denominated assets against KZT and CAD, partially offset by the appreciation of USD-denominated liabilities against RMB.

Material costs

For the year ended 31 December 2015, material costs of the Group was RMB352.4 million, representing a decrease of RMB212.1 million, or 37.6%, as compared with that of RMB564.5 million for the previous comparative year. The decrease of material costs was mainly due to the operating activities contraction of the Group.

Employee benefit expenses

For the year ended 31 December 2015, employee benefit expenses of the Group were RMB544.4 million, representing a decrease of RMB72.7 million, or 11.8%, as compared with that of RMB617.1 million for the previous comparative year. The decrease reflected the efforts of the Group to cut labor costs by layoff of excessive employees and reduction of salary level.

Operating lease expenses

For the year ended 31 December 2015, operating lease expenses of the Group was RMB70.0 million, representing a decrease of RMB64.3 million, or 47.9%, as compared with that of RMB134.3 million for the previous comparative year. It was mainly due to the operating activities shrinkage of the Group.

Transportation costs

For the year ended 31 December 2015, transportation costs of the Group was RMB41.0 million, representing a decrease of RMB35.0 million, or 46.1%, as compared with that of RMB76.0 million for the previous comparative year. The decrease was mainly due to the operating activities shrinkage of the Group.

Depreciation and Amortisation

For the year ended 31 December 2015, depreciation and amortisation of the Group was RMB101.9 million, representing an increase of RMB19.2 million, or 23.2%, as compared with that of RMB82.7 million for the previous comparative year. The increase was mainly because certain equipment purchased at the end of 2014 was depreciated from the beginning of the Reporting Year.

Technical service expenses

For the year ended 31 December 2015, technical service expenses of the Group were RMB149.1 million, representing a decrease of RMB112.1 million, or 42.9%, as compared with that of RMB261.2 million for the previous comparative year. The decrease was mainly due to the operating activities shrinkage of the Group.

Impairment loss/(reversal) of assets

For the year ended 31 December 2015, impairment loss of assets of the Group was RMB47.5 million while impairment reversal was RMB6.1 million in the previous comparative year, The impairment loss of assets was mainly due to the values write-down of certain assets as they were not considered recoverable any more under the depressed market environment.

Others

For the year ended 31 December 2015, other operating costs of the Group were RMB202.2 million, representing a decrease of RMB32.9 million, or 14.0%, as compared with that of RMB235.1 million for the previous comparative year. The decrease reflects the efforts taken by the Company to reduce the general and administrative expenses.

Operating loss/(profit)

As a result of the aforementioned changes, the Group's operating loss during the Reporting Year was RMB448.1, compared with the operating profit of RMB204.2 million, or 319.5% for the previous comparative year.

Finance costs (net)

For the Reporting Year, the Group's finance costs (net) was RMB37.8 million, representing an decrease of RMB6.0 million, or 13.7%, as compared with that of RMB43.8 million for the previous comparative year. The decrease was mainly due to the decline of interest-bearing debts.

Income tax credit/(expense)

For the Reporting Year, income tax credit was RMB43.4 million, compared with the income tax expense of RMB46.1 million for the previous comparative year. The effective income tax rate (income tax expense/profit before income tax) for the Reporting Year was 8.9% while the rate for the previous comparative year was 28.7%.

Loss/(Profit) for the Year

As a result of the aforementioned changes, the Group's loss for the Reporting Year was RMB442.6, representing a significant decrease of RMB556.8, or 487.3% from net profit amounted to RMB114.3 million for the previous comparative year.

Loss/(Profit) attributable to equity owners of the Company

For the Reporting Year, loss attributable to equity owners of the Company was RMB412.2 million, representing a decrease of RMB528.4 million, or 454.7%, from profit attributable to equity owners of the Company amounted to RMB116.2 million for the previous comparative year.

Property, plant and equipment

As at 31 December 2015, property, plant and equipment was RMB535.3 million, representing a decrease of RMB68.3 million, or 11.3%, from RMB603.6 million as at 31 December 2014. The change was mainly due to the continuing depreciation of existing equipment and the carrying amount reduction of equipment resulting from currency translation.

Land use right

As at 31 December 2015, land use right was RMB22.2 million, representing a decrease of RMB0.5 million, or 2.2%, from RMB22.7 million as at 31 December 2014. This was mainly due to the continuing amortisation of existing land use right.

Inventories

As at 31 December 2015, inventories were RMB393.8 million, representing a decrease of RMB156.3 million, or 28.4%, from RMB550.1 million as at 31 December 2014. The decrease was mainly due to the business decline of the Group.

Intangible assets

As at 31 December 2015, intangible assets were RMB58.4 million, representing a decrease of RMB7.1 million, or 10.8%, from RMB65.5 million as at 31 December 2014. This was mainly due to the continuing amortisation of the existing intangible assets.

Deferred income tax assets

As at 31 December 2015, deferred income tax assets were RMB137.6 million, representing an increase of RMB48.5 million, or 54.4%, from RMB89.1 million as at 31 December 2014. This was mainly due to the recognition of tax-losses related deferred tax assets.

Prepayments and other receivables

As at 31 December 2015, long-term prepayments and other receivables was RMB35.8 million, representing a decrease of RMB14.8 million, or 29.2%, from RMB50.6 million as at 31 December 2014, while short-term prepayments and other receivables was RMB171.6 million, representing a decrease of RMB29.8 million, or 14.8%, from RMB201.4 million as at 31 December 2014. The decrease was mainly due to the reduction of materials and equipment purchases.

Trade and notes receivables/Trade payables

As at 31 December 2015, trade and notes receivables was RMB631.8 million, representing a decrease of RMB764.3 million, or 54.7%, from RMB1,396.1 million as at 31 December 2014. The decrease was mainly due to the shrinkage of revenue realised during the Reporting Year.

As at 31 December 2015, trade payables was RMB553.8 million, representing a decrease of RMB295.3 million, or 34.8%, from RMB849.1 million as at 31 December 2014. The decrease was mainly due to the reduction of materials purchases and subcontracts.

Liquidity and capital resources

As at 31 December 2015, the Group's cash and bank deposits, comprising cash and cash equivalents and restricted bank deposits, were RMB363.7 million, representing a decrease of RMB239.6 million, or 39.7%, from RMB603.3 as at 31 December 2014. The decrease was mainly due to the repayment of bank borrowings and equipment purchases.

As at 31 December 2015, the Group's short-term borrowings and current portion of long-term borrowings were RMB259.6 million while the long-term borrowings was RMB114.4 million. As at 31 December 2014, the Group's short-term borrowings and current portion of long-term borrowings were RMB459.7 million while the long-term borrowings were RMB58.7 million.

As at 31 December 2015, the Group's gearing ratio was 30.0%, representing a increase of 3.0% as compared with 27.0% as at 31 December 2014. Gearing ratio was calculated as total borrowings divided by total equity. Total borrowings included long-term borrowings, short-term borrowings and current portion of long-term borrowings.

Cash flows from operating activities

For the Reporting Year, the Group's net cash generated from operating activities was RMB124.6 million, while the net cash used in operating activities was RMB90.8 million for the comparative year. While the Group suffered a loss during the Reporting Year, it has managed to control its working capital so as to maintain liquidity.

Cash flows from investing activities and financing activities

For the Reporting Year, the Group's net cash used in investing activities was RMB256.4 million, mainly due to the settlement of payables arising from equipment purchases in the previous year.

For the Reporting Year, the Group's net cash used in financing activities was RMB114.9 million, mainly resulting from the decrease of bank borrowings of RMB144.5 million.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2015, the total number of ordinary shares of the Company in issue was 1,534,790,332 shares (31 December 2014: 1,534,408,999 shares). As at 31 December 2015, equity attributable to the equity owners of the Company was RMB1,127.3 million, representing a decrease of RMB647.0 million, or 36.5%, as compared with RMB1,774.3 million as at 31 December 2014.

Significant investment held

As at 31 December 2015, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the Reporting Year, the Group had no material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 31 December 2015, the Group pledged parts of its property, plant and equipment, long-term prepayments and trade and note receivables to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 31 December 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Property, plant and equipment	**642**	1,444
Long-term prepayments	**7,921**	9,761
Trade and note receivables	**126,000**	216,600
Land use right	**–**	14,000
Restricted bank deposits	**–**	10

Convertible bonds

On 12 June 2015, the Company and the bond holders entered into an amendment deed pursuant to which both parties agreed to revise certain terms and conditions of the original agreement entered into on 7 August 2012 (please refer to the announcements dated 5 June 2015 and 12 June 2015 for detailed information). As such, the movement of the convertible bonds during the Reporting Year is presented as below:

	2015 *RMB'000*
Liability component as at 31 December 2014	**83,665**
Add: Interest expense in 2015 *(Note 10)*	**12,889**
Less: Interest paid and payable	**(2,922)**
Add: Exchange difference	**2,810**
Less: Derecognition of the original liability component	**(90,434)**
Add: Recognition of a new liability component	**61,654**
Liability component as at 31 December 2015	**67,662**

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 31 December 2015, the Group had no off-balance sheet arrangements.

Contractual obligations

The Group's contractual commitment mainly included capital expenditure commitments and repayments under operating lease commitments. As at 31 December 2015, capital expenditure commitments were mainly acquisition of property, plant and equipment with the amount of RMB5.6 million, while operating lease commitments were mainly lease of offices, warehouses and equipments with the amount of RMB10.3 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on Wednesday, 8 June 2016, the register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016 (both dates inclusive). All transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 3 June 2016.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the Board and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Board currently comprises four executive directors (including Mr. Wang Guoqiang), two non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition. Save as disclosed herein, the Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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. Specific enquiry has been made to all the directors and each of the directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the consolidated financial statements for the Reporting Year.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2015 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.spt.cn), and the 2015 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
SPT Energy Group Inc.
Mr. Wang Guoqiang
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the executive directors are Mr. Wang Guoqiang, Mr. Wu Dongfang, Mr. Liu Ruoyan and Mr. Jin Shumao, the non-executive directors are Mr. Lin Yang and Ms. Chen Chunhua, and the independent non-executive directors are Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Wan Kah Ming.

* *for identification purpose only*