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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2016, the Group's revenue was RMB400.6 million, representing a decrease of RMB94.6 million, or 19.1%, from RMB495.2 million for the comparative period of last year.

Loss attributable to equity owners of the Company for the six months ended 30 June 2016 was RMB54.2 million, representing a decrease of RMB144.9 million, or 72.8%, from RMB199.1 million for the comparative period of last year.

No interim dividend for the six months ended 30 June 2016 was proposed to the shareholders of the Company (for the six months ended 30 June 2015: nil) by the Board.

The board (the "Board") of directors (the "Directors") of SPT Energy Group Inc. (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016, together with the comparative figures for the same period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June **2016** ***RMB'000*** **Unaudited**	 2015 *RMB'000* Unaudited
Revenue		**400,622**	495,176
Other losses, net		**(9,008)**	(2,740)
Operating costs			
Material costs		**(71,298)**	(200,612)
Employee benefit expenses		**(177,216)**	(279,092)
Operating lease expenses		**(26,285)**	(31,322)
Transportation costs		**(9,411)**	(10,379)
Depreciation and amortisation		**(55,982)**	(53,171)
Technical service expenses		**(30,228)**	(62,793)
Impairment loss of assets		**(10,762)**	(10,290)
Others		**(54,424)**	(70,020)
		(435,606)	(717,679)
Operating loss	*13*	**(43,992)**	(225,243)
Finance income		**273**	352
Finance costs		**(15,986)**	(21,413)
Finance costs, net	*14*	**(15,713)**	(21,061)
Share of post-tax result of associate		**(898)**	–
Loss before income tax		**(60,603)**	(246,304)
Income tax credit	*15*	**261**	35,448
Loss for the period		**(60,342)**	(210,856)
Loss attributable to:			
Equity owners of the Company		**(54,191)**	(199,057)
Non-controlling interests		**(6,151)**	(11,799)
		(60,342)	(210,856)
Loss per share for the loss attributable to the equity owners of the Company			
Basic loss per share	*17*	**(0.0353)**	(0.1297)
Diluted loss per share	*17*	**(0.0353)**	(0.1297)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Loss for the period	**(60,342)**	(210,856)
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**12,546**	(484)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**12,311**	(21,631)
Total comprehensive income for the period	**(35,485)**	(232,971)
Total comprehensive income for the period attributable to:		
Equity owners of the Company	**(29,343)**	(221,230)
Non-controlling interests	**(6,142)**	(11,741)
	(35,485)	(232,971)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2016** *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**530,362**	535,343
Land use right		**22,000**	22,241
Intangible assets		**55,946**	58,417
Investments in an associate	*9*	**3,752**	–
Deferred income tax assets		**138,632**	137,609
Prepayments and other receivables	*8*	**23,261**	35,750
		773,953	789,360
Current assets			
Inventories		**396,345**	393,824
Trade and note receivables	*7*	**607,404**	631,794
Prepayments and other receivables	*8*	**176,214**	171,553
Restricted bank deposits		**29,050**	18,855
Cash and cash equivalents		**211,319**	344,855
		1,420,332	1,560,881
Total assets		**2,194,285**	2,350,241
EQUITY			
Equity attributable to the Company's equity owners			
Share capital	*10*	**974**	974
Share premium		**591,651**	591,651
Other reserves		**331,748**	327,276
Currency translation differences		**(452,288)**	(477,136)
Retained earnings		**630,339**	684,530
		1,102,424	1,127,295
Non-controlling interests		**113,826**	119,968
Total equity		**1,216,250**	1,247,263

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**30 June 2016** *RMB'000* **Unaudited**	31 December 2015 *RMB'000* Audited
LIABILITIES			
Non-Current liabilities			
Borrowings		**116,936**	114,356
Deferred income tax liabilities		**22,785**	23,500
		139,721	137,856
Current liabilities			
Borrowings		**199,741**	257,689
Current portion of long-term borrowings		**1,075**	1,869
Trade payables	*11*	**464,024**	553,838
Accruals and other payables	*12*	**139,157**	111,459
Current income tax liabilities		**34,317**	40,267
		838,314	965,122
Total liabilities		**978,035**	1,102,978
Total equity and liabilities		**2,194,285**	2,350,241

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited							
		Equity attributable to owners of the Company							
	Note	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 1 January 2016		974	591,651	327,276	(477,136)	684,530	1,127,295	119,968	1,247,263
Comprehensive income									
Loss for the period		–	–	–	–	(54,191)	(54,191)	(6,151)	(60,342)
Currency translation differences		–	–	–	24,848	–	24,848	9	24,857
Total comprehensive loss		–	–	–	24,848	(54,191)	(29,343)	(6,142)	(35,485)
Transactions with owners									
Share-based payments		–	–	4,472	–	–	4,472	–	4,472
Total transactions with owners		–	–	4,472	–	–	4,472	–	4,472
Balance as at 30 June 2016		974	591,651	331,748	(452,288)	630,339	1,102,424	113,826	1,216,250

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

		Unaudited							
		Equity attributable to owners of the Company							
	Note	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 1 January 2015		974	591,251	282,351	(196,955)	1,096,695	1,774,316	147,738	1,922,054
Comprehensive income									
Loss for the period		–	–	–	–	(199,057)	(199,057)	(11,799)	(210,856)
Currency translation differences		–	–	–	(22,173)	–	(22,173)	58	(22,115)
Total comprehensive loss		–	–	–	(22,173)	(199,057)	(221,230)	(11,741)	(232,971)
Transactions with owners									
Share-based payments		–	–	10,371	–	–	10,371	–	10,371
Share options exercised		–	391	(2)	–	–	389	–	389
Modification of convertible bonds		–	–	28,780	–	–	28,780	–	28,780
Total transactions with owners		–	391	39,149	–	–	39,540	–	39,540
Balance as at 30 June 2015		974	591,642	321,500	(219,128)	897,638	1,592,626	135,997	1,728,623

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cash flows from operating activities		
Cash (used in)/generated from operations	**(27,077)**	91,325
Interest paid	**(16,383)**	(12,414)
Interest received	**273**	352
Income tax paid	**(6,380)**	(30,535)
Net cash (used in)/generated from operating activities	**(49,567)**	48,728
Cash flows from investing activities		
Purchases of property, plant and equipment	**(7,621)**	(109,976)
Proceeds from disposal of property, plant and equipment	**68**	106
Purchases of intangible assets	**(4,922)**	(9,987)
Investment in an associate	**(2,500)**	–
Restricted bank deposits	**(10,195)**	–
Net cash used in investing activities	**(25,170)**	(119,857)
Cash flows from financing activities		
Proceeds from borrowings	**161,243**	211,500
Repayments of borrowings	**(223,722)**	(195,600)
Proceeds from exercise of share options	**–**	389
Net cash (used in)/generated from financing activities	**(62,479)**	16,289
Net decrease in cash and cash equivalents	**(137,216)**	(54,840)
Cash and cash equivalents, at beginning of the period	**344,855**	595,028
Exchange gains/(losses) on cash and cash equivalents	**3,680**	(1,491)
Cash and cash equivalents at end of the period	**211,319**	538,697

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 had its primary listing on The Stock Exchange of Hong Kong Limited on 23 December 2011 through a global offering ("Global Offering").

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the 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"), the Republic of Kazakhstan ("Kazakhstan"), Singapore and Canada. The ultimate controlling party of the Company is Mr. Wang Guoqiang (王國強) and Mr. Wu Dongfang (吳東方) (collectively referred to as the "Controlling Shareholders").

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 23 August 2016.

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 2016 has been prepared in accordance with International Accounting Standard ("IAS") 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 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the entity

(i) IFRS 9 *Financial instruments*

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt IFRS 9 before its mandatory date.

3. ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 15 *Revenue from contracts with customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Management is currently accessing the effects of applying the new standard on the Group's financial statement.

4. ESTIMATES

The preparation of interim 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 condensed consolidated interim financial information, the significant judgements made by 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 2015.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

5.3 Credit risk

The Group has concentrations of credit risk. Petro China Company Limited ("Petro China"), a PRC state owned enterprise with high credit rating, along with its related entities, accounted for approximately 77.4% and 66.6% of the Group's revenue for the six months ended 30 June 2016 and 2015, 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 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.

5.4 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and note receivables and other receivables and financial liabilities including trade and other payables and borrowings except for the fixed rate borrowings, approximate their fair values.

6. SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**115,099**	111,123
Well completion	**58,367**	103,994
Reservoir	**227,156**	280,059
	400,622	495,176

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, finance income, finance costs and certain unallocated expense ("EBITDA").

(b) Segment information

(i) The segment information on EBITDA is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA		
Drilling	**26,861**	(86,535)
Well completion	**(15,367)**	(55,973)
Reservoir	**66,309**	56,017
	77,803	(86,491)

6. **SEGMENT INFORMATION (CONTINUED)**

(b) Segment information (Continued)

(ii) The segment information on total assets is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Total assets		
Drilling	**433,967**	452,307
Well completion	**764,312**	792,566
Reservoir	**454,917**	453,346
	1,653,196	1,698,219

(iii) A reconciliation of EBITDA to total loss before income tax is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA for reportable segments	**77,803**	(86,491)
Unallocated expenses		
– Share-based payments	**(4,472)**	(10,371)
– Other losses, net	**(9,008)**	(2,740)
– Unallocated overhead expenses	**(53,231)**	(72,470)
	(66,711)	(85,581)
	11,092	(172,072)
Depreciation and amortisation	**(55,982)**	(53,171)
Finance costs	**(15,986)**	(21,413)
Finance income	**273**	352
Loss before income tax	**(60,603)**	(246,304)

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

(iv) The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets. Reportable segments' assets are reconciled to total assets as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Segment assets for reportable segments	**1,653,196**	1,698,219
Unallocated assets		
– Deferred income tax assets	**138,632**	137,609
– Unallocated inventories	**25,114**	21,986
– Unallocated prepayments and other receivables	**133,222**	128,717
– Restricted bank deposits	**29,050**	18,855
– Cash and cash equivalents	**211,319**	344,855
– Investment in an associate	**3,752**	–
	541,089	652,022
Total assets per balance sheet	**2,194,285**	2,350,241

(c) Geographical segment

During the period, CODM revised its geographical segment information according to the service location of the entities in the Group. To ensure comparison against the revised classification, segment information for the prior period 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 service location of the entities in the Group:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
	Unaudited	Unaudited
Revenue		
PRC	**228,118**	247,281
Kazakhstan	**88,218**	126,115
Turkmenistan	**31,062**	39,763
Canada	**21,208**	37,902
Middle East	**19,152**	34,110
Others	**12,864**	10,005
	400,622	495,176

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment (Continued)

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current assets (other than deferred income tax assets)		
PRC	**463,002**	426,015
Kazakhstan	**101,543**	110,435
Canada	**20,302**	24,077
Turkmenistan	**31**	33,299
Middle East	**–**	20
Others	**50,443**	57,905
	635,321	651,751

7. TRADE AND NOTE RECEIVABLES

	30 June 2016 *RMB'000* Unaudited	31 December 2015 *RMB'000* Audited
Trade receivables	**635,905**	677,217
Less: allowance for impairment of trade receivables	**(60,600)**	(56,825)
Trade receivables – net	**575,305**	620,392
Note receivables	**32,099**	11,402
	607,404	631,794

(a) Most of the trade receivables are with the expected credit term of six months, except for retention money amounting to approximately RMB8,216,000 (31 December 2015: RMB9,500,000).

Ageing analysis of gross trade receivables as at the respective balance sheet date is as follows:

	30 June 2016 *RMB'000* Unaudited	31 December 2015 *RMB'000* Audited
Up to 6 months	**359,439**	391,387
6 months – 1 year	**102,689**	88,444
1 – 2 years	**89,281**	107,193
2 – 3 years	**88,402**	86,815
Over 3 years	**28,193**	14,780
Trade receivables, gross	**668,004**	688,619
Less: Impairment of trade receivables	**(60,600)**	(56,825)
Trade receivables, net	**607,404**	631,794

(b) Trade receivables of RMB33,500,000 (31 December 2015: RMB126,000,000) have been pledged for the Group's borrowings.

8. PREPAYMENT AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Current		
Advances to suppliers	**68,174**	66,602
Prepayment for taxes	**58,244**	54,590
Total non-financial assets	**126,418**	121,192
Deposits and other receivables	**57,659**	57,802
Less: impairment of other receivables	**(7,863)**	(7,441)
Total financial assets	**49,796**	50,361
	176,214	171,553
Non-current		
Advances to suppliers (Non-financial assets)	**6,708**	18,872
Prepayment for operating lease (Non-financial assets)	**16,553**	16,878
	23,261	35,750
Total	**199,475**	207,303

(a) As at 30 June 2016, non-current prepayments of RMB7,620,000 (31 December 2015: RMB7,921,000) has been pledged for the Group's borrowings.

9. INVESTMENT IN AN ASSOCIATE

On 15 March 2016, the Group acquired 17% interest in Xin Xiang City Xia Feng Electrical Appliance Co., Ltd. for a cash consideration of RMB4,650,000, where the Group is entitled to nominate 2 directors out of total 5 seats in the board of directors. As to 30 June 2016, the investment balance is RMB3,752,000.

10. SHARE CAPITAL

	Number of share	**Value**
	(Thousands)	*RMB'000*
Authorised:		
Ordinary shares of US$0.0001 each as at 30 June 2016 and 31 December 2015	2,000,000	1,295
Issued shares:		
As at 31 December 2015 and 30 June 2016	**1,534,790**	**974**

11. TRADE PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**143,299**	290,696
6 months to 1 year	**139,850**	52,162
1 – 2 years	**133,158**	162,751
2 – 3 years	**25,390**	29,909
Over 3 years	**22,327**	18,320
	464,024	553,838

12. ACCRUALS AND OTHER PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Interest payable	**2,268**	5,436
Rental payable	**4,470**	4,256
Others	**62,940**	16,331
Total financial liabilities	**69,678**	26,023
Customer deposits and receipts in advance	**5,554**	6,155
Payroll and welfare payable	**29,436**	46,882
Taxes other than income tax payable	**34,489**	32,399
Total non-financial liabilities	**69,479**	85,436
	139,157	111,459

13. EXPENSE BY NATURE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Losses on disposal of property, plant and equipment	**2,763**	606
Sales tax and surcharges	**2,034**	2,572
Depreciation	**46,745**	45,456
Amortisation of land use right and intangible assets	**9,237**	7,715

14. FINANCE COSTS, NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**273**	352
Finance income	**273**	352
Net foreign exchange losses on financing activities	**(47)**	–
Interest expense:		
– Bank borrowings	**(8,316)**	(12,672)
– Liability component of convertible bonds	**(5,997)**	(7,414)
– Bank charges	**(1,626)**	(1,327)
Total finance expenses	**(15,986)**	(21,413)
Net finance expenses	**(15,713)**	(21,061)

15. INCOME TAX EXPENSE

The Group operates mainly in the PRC, Kazakhstan, Singapore and Canada. During the six months ended 30 June 2016, the Company expected the profit before tax in these countries was subject to the statutory income tax rate of 25%, 20%, 10% and 25% respectively.

PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in Mainland China for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the six months ended 30 June 2016, certain subsidiaries established in the PRC were subject to an preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
– PRC	**430**	2,353
– Kazakhstan	**–**	1,695
– Others	**–**	1,955
Deferred income tax	**(691)**	(41,451)
Income tax credit	**(261)**	(35,448)

16. DIVIDEND

The Board did not propose interim dividend for the six months ended 30 June 2016 (2015: nil).

17. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Loss attributable to equity owners of the Company	**(54,191)**	(199,057)
Weighted average number of ordinary shares in issue (thousands)	**1,534,790**	1,534,632
Basic losses per share (RMB per share)	**(0.0353)**	(0.1297)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. Both of these two elements are anti-dilutive and accordingly the dilutive loss per share is the same as basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2016 (the "Period" or "Reporting Period"), the crude oil market experienced two rounds of shocks and revealed a gradual recovering pattern after hitting the bottom. Brent oil futures price successively touched bottom twice early this year moving from the level of US$37 per barrel at the end of last year and fluctuated between US$27 per barrel the lowest and US$52 per barrel the highest. However, it remained more than 50% below the level prior to the plunge of oil price in June 2014. We strongly believe that the market demand and supply are returning to equilibrium after corrections in the crude oil market.

During the first half of the year, despite that the momentum for the increase in oil price was generally stronger as compared with last year, the push factors in the crude oil supply side should not be neglected. The three major push factors, namely the increase in supply of crude oil, high level of inventory and slow growth of global economy, remained a long-term suppression to oil price. The room for any rise in oil price remained very limited. It is expected that it will be very difficult for the oil price to return to the previous peak level in a long period of time. The prevailing industry landscape is now in an exceptional situation that differs from previous years, resulting in a market phenomenon of both optimistic and pessimistic industry outlook for the global oil price and the oil industry for the second half of 2016.

While exercising stringent cost control to overcome the oil price doldrums, during the first half of the year, major oil producers further reduced the investment expenditure on exploration and production. The global oil-field service market continued to shrink. Oil-field service providers successively adopted various cost control measures such as downsizing, outlay cut, reduction in infrastructure facilities and asset investment, etc. At the same time, they were forced to implement low pricing strategies to attract a few number of customer orders or give up most of the orders with low profit margin and high leverage ratio to maintain liquidity.

Faced with such challenging market environment, oil-field service providers have to adjust their growth strategies to cope with the new industry landscape in a relatively long period of time ahead. On the one hand, they have to cut down expenses and optimise business and financial structure. More importantly, they have to actively explore new profit growth points and seize market opportunities. During the Reporting Period, the Company kicked off relevant business expansion efforts in the areas of new products and new markets. As to products, the Company mainly targeted at customer energy saving, environmental protection and cost reduction. As to oil recovery technique and reservoir reformation technique, the Company introduced several new-type products including electrical pumps for oil recovery and low density fracturing sand through research and development and received high recognition from oil-field customers. At the same time, the Company actively explored new markets such as the Middle East and Russia to take pre-emptive opportunities when these emerging businesses have not developed a stable market. It is expected that this will allow the Company to stay away from the "red ocean" and move towards the "blue ocean" in an attempt to explore new survival and development opportunities.

During the Period, the Group realised revenue of RMB400.6 million, representing a decrease of RMB94.6 million or 19.1% as compared with the comparative period. As the impacts of declining oil price have persisted and extended to all over the world, the Company's business in the domestic market and the overseas market shrank slightly. During the Period, revenue from the domestic market amounted to RMB228.1 million, representing a decrease of RMB19.2 million or 7.8% as compared with the comparative period; whereas revenue from the overseas market during the Period amounted to RMB172.5 million, representing a decrease of RMB75.4 million or 30.4% as compared with the comparative period of last year. As for the business segments, revenue from reservoir and well completion segments decreased and revenue from drilling segment only increased slightly. Revenue from reservoir service segment amounted to RMB227.2 million, representing a decrease of RMB52.9 million or 18.9% as compared with the comparative period of last year. Revenue from well completion service segment amounted to RMB58.4 million, representing a decrease of RMB45.6 million or 43.9% as compared with the comparative period of last year. Revenue from drilling service segment amounted to RMB115.1 million, representing an increase of RMB4.0 million or 3.6% as compared with the comparative period of last year.

During the Period, the Group recorded net loss attributable to equity owners of the Company of RMB54.2 million, representing a decrease of RMB144.9 million or 72.8% as compared with the comparative period. The necessary measures taken by the Group to cope with the market doldrums have gradually taken effect.

Overall speaking, the Company continued to cut down business scale in the first half of the year in order to maintain its healthy financial position and sought new growth profit points. The Company believes that this could help it regain the market share when the oil and gas industry sentiments turn positive.

REVENUE ANALYSIS

During the Period, the Group realised revenue of RMB400.6 million, representing a decrease of RMB94.6 million or 19.1% over the previous year. The analysis of the Group's revenue by business segment is as follows:

	For the six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	*(%)*
	Unaudited	Unaudited	
Reservoir	**227,156**	280,059	(18.9%)
Drilling	**115,099**	111,123	3.6%
Well Completion	**58,367**	103,994	(43.9%)
Total	**400,622**	495,176	(19.1%)

Given the turbulence of crude oil price at low levels, the market expects that the downside risks associated with oil price will remain high. As a result of which, various oil producers continued to cut down investment in oil-field development to reduce development costs. All projects, upon expiry of contract, will be subject to open tender, and many tender projects are only offered to large-scale oil-field service providers that have higher risk tolerance. Under such circumstances, many privately-owned oil-field service providers lower their tender price. To maintain a healthy financial position, the Group implemented a contraction policy and gave up projects requiring substantial capital advances or with extremely low profit margins. Accordingly, the business volume and revenue from the above three business segments decreased. During the Reporting Period, the revenue contribution from the reservoir service segment was 56.7%, representing a decrease of 0.1 percentage point as compared with the comparative period. This is because the reservoir service segment is the traditional business line of the Company and specialises in the production work of existing oil (gas) wells, which suffers minimal impacts in times of poor market. However, due to the depreciation of Kazakhstan's Tenge (Kazakhstan being the major overseas market of the Group), revenue from reservoir service segment decreased over the comparative period. The drilling service segment and well completion service segment, in aggregate, accounted for 43.3% of the revenue contribution to the Company.

RESERVOIR SERVICE SEGMENT

	For the six months ended 30 June		
Revenue	**2016**	2015	Change
	RMB'000	*RMB'000*	*(%)*
		(Restate)	
	Unaudited	Unaudited	
Overseas	**116,039**	143,047	(18.9%)
PRC	**111,117**	137,012	(18.9%)
Total	**227,156**	280,059	(18.9%)

The reservoir service segment of the Company provides 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. Through the provision of the above services, a close relationship between the Company and customers can be fostered so that the Company can quickly cater to customers' needs and promote other services to the customers. Since the existing market fluctuations had a smaller impact on this business segment, it remained the largest revenue contributor during the Period. During the Reporting Period, revenue from reservoir service segment amounted to RMB227.2 million, representing a decrease of RMB52.9 million or 18.9% over the comparative period of previous year. In particular, on the overseas market front, due to the substantial depreciation of Kazakhstan's local currency in August last year, overall revenue from the overseas market decreased by RMB27.0 million or 18.9% as compared with the comparative period. On the domestic market front, in spite of growing pricing pressure, the Group was still able to renew part of the project contracts. Accordingly, revenue from the domestic market decreased slightly by RMB25.9 million or 18.9% over the comparative period of previous year.

During the Period, while focusing on the actual needs of energy saving and cost reduction among oil-field service customers, the Group stepped up the efforts of investment and market expansion in oil recovery process related technology and products. Through investment cooperation as well as research and development, the Group also introduced the direct-drive submersible screw pump product series for oil exploration, which greatly reduced the cost of oil exploration. The product series enjoyed unparalleled leading advantages in terms of exemption period extension and oil production power saving. At present, for several domestic oil field markets including China Petrochemical Corporation's North West branch, China National Petroleum Corporation's Tuha Oilfield, Changqing Oilfield and Daqing Oilfield as well as Kazakhstan's North Buzachi Oilfield, the Group had been able to make substantial breakthroughs in securing contract orders and stepped up its efforts to expand the oil rig market in an attempt to introduce such product from land to sea. As to conventional business, in addition to the traditional market in China, the Group also renewed the contracts of conventional dynamic monitoring service leveraging on its leading technology and level of operation in Kazakhstan, Indonesia, Iraq and Turkmenistan.

DRILLING SERVICE AND WELL COMPLETION SERVICE SEGMENTS

Revenue from Drilling Service Segment

	For the six months ended 30 June		
Revenue	**2016**	2015	Change
	RMB'000	*RMB'000*	*(%)*
		(Restate)	
	Unaudited	Unaudited	
Overseas	**28,109**	45,289	(37.9%)
PRC	**86,990**	65,834	32.1%
Total	**115,099**	111,123	3.6%

The drilling services of the Company include 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 first half of the year, the drilling service segment remained difficult. As the global crude oil price remained low during the first half of the year, oil producers locally and overseas further cut down the expenditure on upstream exploration and development. In this regard, the workload of oil-field service providers locally and abroad was greatly reduced with growing operating pressure. However, as the drilling segment accounted for a relatively smaller proportion in the overall business of the Group and the Company stepped up the expansion efforts in its professional and unique drilling business during the first half of the year, the overall revenue from the drilling business remained the same level as compared with that in the same period of last year and slightly increased. During the Period, revenue from drilling service segment amounted to RMB115.1 million, representing an increase of RMB4.0 million or 3.6% over the comparative period of previous year.

On the domestic market front, in the first half of the year, the Group secured the coalbed gas drilling general contracts for the coalbed gas drilling service project in Qinshui, Shanxi and the drilling service project in Mabi, Shanxi. At the same time, leverage on the remarkable drilling performance of the Group and faced with the contraction in drilling scale among oil producers, the Group was still able to secure the drilling general contract for a three-well drilling platform in Ordos Basin. In addition, in terms of complex gas well drilling service, the Group secured the contracts from Tarim Oilfield and Chuanqing Drilling Company regarding the turbine drilling efficiency enhancement projects involving 3 wells and completed the underbalanced drilling service for 12 wells in Tarim Oilfield. Given the limited investment in the drilling service segment, the Group was able to maintain its necessary market share in drilling service with its leading technology and high customer recognition.

On the overseas market front, the Group's drilling service work is primarily based in Kazakhstan. Affected by the global oil price, the investment expenditure and expenses in Kazakhstan were substantially reduced. In the meantime, the depreciation of Tenge has raised the cost of materials for oil-field service producers and greatly squeezed out the profits. The Group timely adjusted the operating strategy and focused on the expansion of workover related work in oilfields. During the Reporting Period, the Group secured the annual workover contract from Kazakhstan's MIE Holdings Corporation, the workover general contract from Zhongke Group regarding Kazan project involving 3 wells and the annual workover service contract from Petro Kazakhstan, and maintained the necessary utilisation of the Group's self-developed drilling and workover equipment under challenging market conditions. Faced with such market conditions, the Company opened a new market area in providing waste treatment service in Russia. The waste treatment equipment was delivered to Russia in May and the trial results were well received by the Russian party with good treatment results.

Revenue from Well Completion Service

	For the six months ended 30 June		
Revenue	**2016**	2015	Change
	RMB'000	*RMB'000*	*(%)*
		(Restate)	
	Unaudited	Unaudited	
Overseas	**28,356**	59,559	(52.4%)
PRC	**30,011**	44,435	(32.5%)
Total	**58,367**	103,994	(43.9%)

The Company provides comprehensive well completion tools and service to customers, including well completion project design, well completion tools trading as well as simulation and fracturing service. During the Reporting Period, revenue from well completion service segment amounted to RMB58.4 million, representing a decrease of RMB45.6 million or 43.9% over the comparative period of previous year.

Faced with such challenging and competitive market environment, new technology and new product are the only key elements of oil-field service providers that can satisfy the demand for oil-field service. The Group closely followed market demand and devoted resources in the research and development ("R&D") of reservoir reformation technique and introduction of cost effective and efficiency well completion process to maintain its position in the major markets. On the domestic market front, the self-developed soluble ball set used for multi-stage fracturing is now available for sale and has secured the operating contract for four wells from China Petrochemical Corporation's North China Branch. At the same time, the Group has introduced the low density fracturing sand product which has a promising outlook because it completely solves the traditional shortcomings where ceramsites are unable to penetrate to the depth of reservoir during fracturing due to high density and fast subsidence.

On the overseas market front, the Group's Singapore well completion manufacturing centre obtained the American Petroleum Institute (the "API") safety valve system certification, making it one of the few manufacturers in Singapore to have the API system certification for whole set of well completion tool. During the Reporting Period, the Group successfully expanded the market and secured orders from Indonesia, Burma and Iraq. Once the drilling rig counts increase, the competitiveness of the well completion tools of the Group will be greatly enhanced.

MARKET ENVIRONMENT

In the first half of 2016, the global oil price had a great turnaround after touching the bottom twice, mainly as a result of the alleviation in the significant imbalance between the global supply and demand of crude oil, pushing the crude oil price to a more balanced level. The oil worker strike in Kuwait and Norway, Canadian wildfires, escalation of armed conflicts in Nigeria and the gradual decline in crude oil production in the United States alleviated the market worries over excess supply of oil. Driven by the demand due to strong growth of China, India and Russia, the global crude oil demand will steadily increase this year, alongside with slowing growth in supply. The demand and supply will gradually resume to an equilibrium as the market expected, thus pushing the global oil price to gradually increase. Accordingly, during the Reporting Period, the global crude oil futures contract price started at approximately US$37 per barrel at the beginning of the year and rose above US$40 per barrel and then US$50 per barrel, and fell back to approximately US$49 per barrel in the middle of the year, representing an increase of more than 30%.

Despite that the global oil price fluctuated and climbed up during the first half of the year, it also, for the first time in 12 years, fell below US$30 per barrel twice. Although it rose above US$50 per barrel driven by short-term favourable factors, we strongly believe that the oil price will resume normal and gradually increase as the demand and supply of crude oil are more balanced in the future. However, there remain uncertainties regarding the trend of global oil price in the second half of the year. Moving forward, the change in demand and supply pattern remains crucial for the global crude oil market and will continue to affect the oil and gas industry and the oil-field service market. The Group always keeps a close eye on the following:

1. Global macroeconomic conditions remain the key to determining petroleum demand. Faced with the slowing global economy since the beginning of the year, coupled with significant downside risks, recovery continues but the momentum is weaker than expected. The emerging market economy also faces tougher challenges as a result of "bearish" fluctuations in commodities, global financial instability and structural constraints. The cascade effects of these factors on the petroleum demand in key regions are likely to offset the growth in demand from China, India and Russia. The oversupply of crude oil will still persist for a period of time. In spite of a more pessimistic outlook over the global economy, there is no lack of favourable factors. The United States and Europe are considering to further increase the fiscal expenses on the construction of infrastructure facilities. In this regard, the "One Belt One Road" initiative in China and Asian Infrastructure Investment Bank expansion plan highlight the cooperation and linkage of regional economy and production capacity with a view to seeking growth. In the first quarter of the year, the economy of China achieved growth of 6.7%. Since the second quarter, China's economy is forging ahead in a steady manner.

2. The alleviation of crude oil oversupply will still continue for a period of time. Although some oil producing countries have no alternatives but to cut down production due to various reasons, other countries are going at full speed to make up for the gap in the market. For example, affected by instability, Nigeria's crude oil daily production has reduced to below 1.40 million barrels, representing a decrease of 40% as compared to the peak value. However, Iran has taken an active stand to resume petroleum export after the lifting of sanction. At present, its daily crude oil production is nearly 4.00 million barrels. Shale oil in the United States also gradually resumes its production following the rebound of oil price.

3. The US dollar performance in the foreign exchange market will affect the US dollar-denominated crude oil price. The antecedent US dollar index decreases and this should have a positive effect on the crude oil price. However, the Brexit poll results struck the global market in a short period of time, causing risk aversion in the financial market to escalate. Risk aversion assets such as the US dollar and treasury bonds are being sought. Petroleum, being a risky asset, hardly attracts any attention, which is likely to cause a new depression in oil price.

4. The economy of China has a mixed performance and the downside pressure remains high. During the first half of the year, there were strong signs of steady recovery of the economy of China. Compared with other major economies all over the world, the economic growth of China remains high. However, slowdown in investment growth, especially the slowing momentum of private investment, will continue. The rise in the price of industrial goods has given momentum to the recovery of industrial indicators. But at the same time, it has brought challenges to the mission to reduce overcapacity which has just seen improvement.

5. Renewable energy is expected to change the global energy landscape, replacing the role of coal and natural gas in power generation. In the foreseeable future, government policies will continue to contain the growth of coal production. Oil and gas companies need to accurately evaluate the rapid development of electric vehicles and renewable energy. With the increasing energy efficiency, semi autopilot and full autopilot vehicles will both reduce the demand for crude oil. Looking into future decades, the structural changes in the automobile industry will have an irreversible impact on the global demand for crude oil.

In conclusion, the current oil and gas market remains not optimistic. However, the rebound of oil price will continue to bring positive impacts to the oil and gas industry. The Company remains optimistic about the market and will endeavour to explore new growth points to cope with the challenges and seize growth opportunities.

R&D AND MANUFACTURING

Faced with the great challenge of falling international oil prices, the R&D team of the Group endeavoured to change the market perception and provide solutions targeted at cost reduction, efficiency enhancement, energy-saving and environmental protection for customers. With respect to product R&D, new technology introduction as well as scientific research and innovation, the Group closely followed the theme of cost reduction, efficiency enhancement, energy-saving and environmental protection for customers.

After a long period of technology development and accumulation, during the first half of the year, the project technology centre of the Group took the lead to launch the two technologies, namely direct-drive submersible screw pump lift method for oil exploration and FulconFrac™ full-length diversion fracturing. Of which, the direct-drive submersible screw pump adopts the permanent magnet servo motor driven technology which solves the technology bottlenecks in the traditional electric pump lift method such as short exemption period and high power consumption and is widely used in more than 50 mine wells of a number of customers. In addition to the extension of exemption period by 150%, energy saving was also enhanced by 40% compared to the traditional oil exploration pumps. The new FulconFrac™ full-length diversion fracturing technology has solved the technology bottleneck where the proppant of the traditional fracturing process moves and forms a grit along the fissure and achieved remarkable results including balanced suspension of proppant in the carrying fluid and full fissure support, substantial increase in the area of fissure effective diversion and increase in oil and gas production. At the same time, the low viscosity and low density fracturing fluid system ancillary to the FulconFracTM technology has not only better solved the pressure of new environmental laws on construction work, it also reduced the fracturing fluid material costs. The technology has completed the first-round trial involving four vertical well fracturing mines, representing an increase of 40% in terms of average simulation using traditional technologies and processes. Currently, the above two technologies are well received by the customers and are conducive to achieving cost reduction, efficiency enhancement, energy-saving and environmental protection for customers. These technologies are under trial test at mines.

Following the success of the Group's Singapore R&D centre regarding the R&D of the high-pressure permanent packer product, during the first half of 2016, we passed the API 11D1 V3 test and completed the 10000psi high-pressure test for vertically portable release retrievable packer. The Group's Tianjin manufacturing centre also closely followed market needs and developed 4 1/2" oil casing full-bore horizontal well completion ancillary tool, wireline operated retrievable packer and bridge plug as well as heat resistant 200ºC high-temperature high-pressure retrievable packer, which have been launched in the market successively. In addition, focusing on the unsafe issues regarding the sustained clearance pressure generally found at the mouth of the high-pressure gas wells of customers and the poor management of current technologies and processes, we have introduced the high molecular-based 3E system management sustaining clearance pressure solution, which has completed laboratory test and design and manufacturing of ancillary tools and is ready for trial at mines.

At our R&D base in North America, we further expanded and enhanced the properties and precision of our well-established PPS71 series and ESPLink series. Of which, following the development of PPS71 series in 2015, during the first half of the year, we further developed the PPS71Q (quartz model) ultra-high temperature logging tool to meet the high precision test requirements of customers. After our successful application of ESPLink series in approximately 50 wells, we have raised the underground source voltage from 60V to 130V and the terrestrial equipment voltage from 120V to 250V upon request of the customers. In the event of any short-term unbalanced power supply of Electrical Submersible Pump ("ESP") motor and variable-frequency drive, the equipment can remain stable to meet the working needs. Currently, these two product upgrade have completed the prototype test and calibration with technology indicators attaining internationally advanced level and state-of-the-art level respectively.

HUMAN RESOURCES

Based on the business development needs of the Group, the following human resources measures were adopted:

1. To optimise and adjust the organisational structure of the Group; rationalise and update the manuals for relevant positions of the three major management segments (namely, the China segment, the Pan Russian speaking segment and the Pan English speaking segment) and one centre (namely project technology centre); further reinforce the matching between the personnel and positions under the new structure; and clearly define the duties and responsibilities. At the same time, the Group reasonably downsized its labour force to reduce manpower costs. During the first half of the year, the total manpower costs of the Group were significantly lower than the estimated half-yearly amount. As at 30 June 2016, the total number of employees registered with the Group was further reduced to 3,143 from 3,400 as at 31 December 2015.

2. To effectively cope with the business development needs of the Group, the Group proactively took various measures to achieve synergies between the staff remuneration and market expansion efforts. The management segments of the Group kicked off the design and implementation of the compensation package to stimulate the vitality through reasonable adjustment to the remuneration system to cope with intensifying competition in the market.

3. Innovative incentive policies were introduced targeted at trial projects based on the features of various businesses and projects and employees were highly encouraged to participate in the business expansion and operations of the Company to drive the results performance of the Group as a whole.

SUBSEQUENT WORK PLAN

Based on the work plans of the Group formulated at the beginning of the year, we will continue to focus on the following four areas in the second half of the year:

1. Maintaining healthy financial structure and liquidity remains the top priority in this financial year.

2. Continuing to keep costs down through improving the organisation and management of manufacturing activities.

3. Continuing the R&D efforts in core technologies and exploring new projects; enhancing the Group's brand premium in the market; establishing brand reputation, avoiding price competition and gaining market share through providing value-added or unique services.

4. Taking measures to motivate the employees' initiative and capability in business expansion and proactively exploring market opportunities.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, revenue of the Group was RMB400.6 million, representing a decrease of RMB94.6 million, or 19.1%, as compared with that of RMB495.2 million for the comparative period of last year. The decrease was mainly due to the continuing decrease of crude oil prices which led to the depression of the industry investment and the shrinkage of the oil-field services market.

Other losses, net

For the six months ended 30 June 2016, other losses, net of the Group was RMB9.0 million, while other losses, net for the comparative period of last year was RMB2.7 million. The net losses for the six months ended 30 June 2016 was primarily due to the depreciation of USD-denominated assets against CAD and the appreciation of USD-denominated liabilities against RMB.

Material costs

For the six months ended 30 June 2016, material costs of the Group was RMB71.3 million, representing a decrease of RMB129.3 million, or 64.5%, as compared with that of RMB200.6 million for the comparative period of last year. The decrease of material costs was mainly due to the business structure adjustments and cost control measures.

Employee benefit expenses

For the six months ended 30 June 2016, employee benefit expenses of the Group were RMB177.2 million, representing a decrease of RMB101.9 million, or 36.5%, as compared with that of RMB279.1 million for the comparative period of last year. The decrease reflected the efforts of the Group to cut labor costs by layoff of redundant employees and reduction of salary level so as to cut down labour costs.

Operating lease expenses

For the six months ended 30 June 2016, operating lease expenses of the Group was RMB26.3 million, representing a decrease of RMB5.0 million, or 16.0%, as compared with that of RMB31.3 million for the comparative period of last year. It was mainly due to the operating activities shrinkage of the Group.

Transportation costs

For the six months ended 30 June 2016, transportation costs of the Group was RMB9.4 million, representing a decrease of RMB1.0 million, or 9.6%, as compared with that of RMB10.4 million for the comparative period of last year. The decrease was mainly due to the operating activities shrinkage of the Group.

Depreciation and Amortisation

For the six months ended 30 June 2016, depreciation and amortisation of the Group was RMB56.0 million, representing an increase of RMB2.8 million, or 5.3%, as compared with that of RMB53.2 million for the comparative period of last year. The increase was mainly due to certain equipment purchased in the end of 2014 was depreciated from the beginning of the year.

Technical service expenses

For the six months ended 30 June 2016, technical service expenses of the Group were RMB30.2 million, representing a decrease of RMB32.6 million, or 51.9%, as compared with that of RMB62.8 million for the comparative period of last year. The decrease was mainly due to the operating activities shrinkage of the Group.

Impairment loss of assets

For the six months ended 30 June 2016, impairment loss of assets of the Group was RMB10.8 million, representing an increase of RMB0.5 million, or 4.9%, as compared with that of RMB10.3 million for the comparative period of last year. The impairment loss of assets was in relation to bad-debt provision of receivables which the Group estimated uncollectable and the provision for raw materials which the Group considered unrecoverable.

Others

For the six months ended 30 June 2016, other operating costs of the Group were RMB54.4 million, representing a decrease of RMB15.6 million, or 22.3%, as compared with that of RMB70.0 million for the comparative period of last year.

Operating loss

As a result of the aforementioned changes, the Group's operating loss during the period was RMB44.0 million, representing a substantial decrease of 80.5% compared with the operating losses of RMB225.2 million for the comparative period of last year.

Finance costs, net

For the six months ended 30 June 2016, the Group's finance costs, net was RMB15.7 million, representing a decrease of RMB5.4 million, or 25.6%, as compared with that of RMB21.1 million for the comparative period. The interest-bearing debt decreased while the finance costs, net remained flat were mainly because the decrease of interesting-bearing debt mainly took place in the second half of the current year, therefore the relevant impact on interest costs was not so material.

Income tax credit

For the six months ended 30 June 2016, income tax credit was RMB0.3 million, representing a decrease of RMB35.1 million, as compared with income tax credit of RMB35.4 million for the comparative period of last year.

Loss for the period

As a result of the aforementioned reasons, the Group's loss for the period was RMB60.3 million, representing a significant decrease of RMB150.6 million, or 71.4%, as compared with that of RMB210.9 million for the comparative period of last year.

Loss attributable to equity owners of the Company

For the six months ended 30 June 2016, losses attributable to equity owners of the Company was RMB54.2 million, representing a decrease of RMB144.9 million, or 72.8%, as compared with that of RMB199.1 million for the comparative period of last year.

Property, plant and equipment

As at 30 June 2016, property, plant and equipment was RMB530.4 million, representing a decrease of RMB4.9 million, or 0.9%, from RMB535.3 million as at 31 December 2015. This was mainly due to the very limited investment in new equipment as well as continuing depreciation of existing equipment.

Inventories

As at 30 June 2016, inventories were RMB396.3 million, representing an increase of RMB2.5 million, or 0.6%, from RMB393.8 million as at 31 December 2015.

Trade and note receivables/Trade payables

As at 30 June 2016, trade and note receivables was RMB607.4 million, representing a decrease of RMB24.4 million, or 3.9%, from RMB631.8 million as at 31 December 2015. The decrease was mainly due to the shrinkage of revenue realised during the period.

As at 30 June 2016, trade payables was RMB464.0 million, representing a decrease of RMB89.8 million, or 16.2%, from RMB553.8 million as at 31 December 2015. The decrease was mainly due to the reduction of materials purchases and subcontracts.

Liquidity and capital resources

As at 30 June 2016, the Group's cash and bank deposits, comprising cash and cash equivalents, restricted bank deposits and term deposits with initial terms over 3 months, were RMB240.4 million, representing a decrease of RMB123.3 million, or 33.9%, from RMB363.7 as at 31 December 2015. The decrease was mainly due to the repayment of bank borrowings and equipment purchases.

As at 30 June 2016, the Group's short-term borrowings and current portion of long-term borrowings were RMB200.8 million while the long-term borrowings was RMB116.9 million. 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 were RMB114.4 million.

As at 30 June 2016, the Group's gearing ratio was 26.1%, representing a decrease of 3.9% as compared with 30.0% as at 31 December 2015. 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 six months ended 30 June 2016, the Group's net cash used in operating activities was RMB49.6 million, while the net cash generated from operating activities was RMB48.7 million for the comparative period of last year. While the Group suffered a loss during the period, it has managed to control its working capital so as to maintain liquidity.

Cash flows from investing activities and financing activities

For the six months ended 30 June 2016, the Group's net cash used in investing activities was RMB25.2 million, mainly due to the settlement of payables arising from last year's equipment purchases.

For the six months ended 30 June 2016, the Group's net cash used in financing activities was RMB62.5 million, mainly resulting from the decrease of bank borrowings of RMB56.3 million.

Capital structure

The capital of the Company comprises only share capital. As at 30 June 2016, the total number of share capital of the Company in issue was 1,534,790,332 shares (31 December 2015: 1,534,790,332 shares). As at 30 June 2016, equity attributable to the equity owners of the Group was RMB1,102.4 million, representing a decrease of RMB24.9 million, or 2.2%, as compared with RMB1,127.3 million as at 31 December 2015.

Significant investment held

As at 30 June 2016, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the six months ended 30 June 2016, the Group had no material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 30 June 2016, 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 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Property, plant and equipment	**292**	642
Long-term prepayments	**7,620**	7,921
Trade and note receivables	**33,500**	126,000

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2016, 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 30 June 2016, capital expenditure commitments were mainly acquisition of property, plant and equipment with the amount of RMB10.5 million, while operating lease commitments were mainly lease of offices, warehouses and equipments with the amount of RMB184.9 million.

Subsequent event

Subsequent to 30 June 2016, the Company had no material subsequent events.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil) to the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 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 conduct regarding Directors' securities transactions.

Having made a specific enquiry to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2016.

CORPORATE GOVERNANCE

For the six months ended 30 June 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following provision.

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.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2016 of the Group with the management and the auditor of the Company.

PUBLICATION

The interim results announcement for the six months ended 30 June 2016 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.spt.cn) respectively. The 2016 interim report 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, 23 August 2016

As of 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*