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 2021

INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2021, the Group's revenue was RMB581.3 million, representing a decrease of RMB27.8 million, or 4.6%, from RMB609.1 million for the same period of the previous year.

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

No interim dividend for the six months ended 30 June 2021 was proposed to be paid to the shareholders of the Company by the Board (for the six months ended 30 June 2020: nil).

The board (the "**Board**") of directors (the "**Directors**") of SPT Energy Group Inc. (the "**Company**") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Period**"), together with the comparative figures for the same period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

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

	Notes	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**251,465**	233,077
Non-current lease liabilities		**33,774**	46,660
Deferred income tax liabilities		**21,798**	21,991
		307,037	301,728
Current liabilities			
Borrowings		**241,607**	193,000
Current portion of long-term borrowings		**55,997**	65,266
Contract liabilities		**13,485**	7,266
Trade and note payables	*9*	**558,269**	697,413
Accruals and other payables	*10*	**105,010**	125,298
Current income tax liabilities		**50,806**	64,795
Current lease liabilities		**13,157**	18,204
		1,038,331	1,171,242
Total liabilities		**1,345,368**	1,472,970
Total equity and liabilities		**2,583,244**	2,704,341

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**Unaudited**	Unaudited
Revenue	*5*	**581,281**	609,140
Other gains/(losses), net		**958**	(3,842)
Operating costs			
Material costs		**(97,038)**	(141,407)
Employee benefit expenses		**(225,875)**	(207,868)
Short-term and low-value lease expenses		**(25,566)**	(32,475)
Transportation costs		**(15,497)**	(12,195)
Depreciation and amortisation		**(34,199)**	(39,426)
Technical service expenses		**(80,153)**	(72,853)
Net impairment losses of financial and contract assets		**(1,998)**	(6,143)
Others		**(60,267)**	(48,739)
		(540,593)	(561,106)
Operating profit		**41,646**	44,192
Finance income		**350**	835
Finance costs		**(20,506)**	(16,773)
Finance costs, net	*11*	**(20,156)**	(15,938)
Share of net loss of an associate accounted for using the equity method		**(15)**	–
Profit before income tax		**21,475**	28,254
Income tax expense	*12*	**(6,695)**	(9,627)
Profit for the period		**14,780**	18,627
Profit is attributable to:			
Owners of the Company		**17,900**	21,352
Non-controlling interests		**(3,120)**	(2,725)
		14,780	18,627
Earnings per share for the profit attributable to the owners of the Company			
Basic and diluted earnings per share (RMB)	*14*	**0.0097**	0.0115

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

These interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2020 except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

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

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

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

4. ESTIMATES

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

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

5. SEGMENT INFORMATION

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

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

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

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

(a) Revenue

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

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

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

(b) Segment information

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

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

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

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

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

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

	Six months ended 30 June	
	2021 ***RMB'000*** **Unaudited**	2020 *RMB'000* Unaudited
EBITDA for reportable segments	**131,582**	138,127
Unallocated expenses		
– Share-based payments	**(1,451)**	(3,731)
– Other gains/(losses), net	**958**	(3,842)
– Unallocated overhead expenses	**(55,259)**	(46,936)
	(55,752)	(54,509)
	75,830	83,618
Depreciation and amortisation	**(34,199)**	(39,426)
Finance income *(Note 11)*	**350**	835
Finance costs *(Note 11)*	**(20,506)**	(16,773)
Profit before income tax	**21,475**	28,254

(c) Geographical segment

The following table shows revenue by geographical segment which is based on where the customer is located:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
PRC	**399,101**	437,251
Kazakhstan	**100,845**	106,491
Turkmenistan	**38,296**	8,215
Indonesia	**19,394**	17,765
Canada	**17,425**	27,397
Middle East	**2,952**	9,458
Others	**3,268**	2,563
	581,281	609,140

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

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

6. TRADE AND NOTE RECEIVABLES

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

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

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

(b) Certain trade and note receivables have been pledged for the Group's bank borrowings.

7. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	Unaudited	Audited
Current		
Advances to suppliers	**138,947**	102,333
Prepayment for taxes	**33,872**	21,668
Less: loss allowance	**(4,772)**	(4,772)
Total non-financial assets	**168,047**	119,229
Deposits and other receivables	**88,973**	69,950
Less: loss allowance	**(5,216)**	(5,274)
Total financial assets	**83,757**	64,676
	251,804	183,905

	30 June 2021 *RMB'000* Unaudited	31 December 2020 *RMB'000* Audited
Non-current		
Prepayment for equipment and machinery	**17,570**	27,725
Total non-financial assets	**17,570**	27,725
Deposits and other receivables	**1,234**	1,234
Total financial assets	**1,234**	1,234
	18,804	28,959
Total	**270,608**	212,864

8. SHARE CAPITAL

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

9. TRADE AND NOTE PAYABLES

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

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

10. ACCRUALS AND OTHER PAYABLES

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

11. FINANCE COSTS, NET

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

12. INCOME TAX EXPENSE

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

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

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

13. DIVIDEND

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

14. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

REVENUE ANALYSIS

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

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

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

RESERVOIR SERVICE SEGMENT

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

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

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

DRILLING SERVICE SEGMENT

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

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

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

WELL COMPLETION SERVICE SEGMENT

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

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

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

MARKET ENVIRONMENT

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

Overseas Markets

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

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

PRC Market

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

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

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

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

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

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

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

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

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

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

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

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

HUMAN RESOURCES

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

1. The global situation of Pandemic remains severe. The Group adjusted the human resources strategy in a timely manner and effectively implemented labour cost control based on the human resources strategic objectives.

2. The Group effectively promoted its performance management system based on performance and technological innovation-orientation, which has served well as a positive incentive.

3. The Group has included talent development indicators in the organizational assessment KPI. We continued to improve the construction of its training system while developing various training programs covering areas of management, technology, project, operation, security and new employee training. With the help of online learning platform during the Pandemic, we comprehensively carried out the online and offline training and talent development through indicators of "Key Technical Personnel Training Camp", "Cultural Team Building", "Project Management", "Training for New Employees" and "Establishing Internal Trainer System". From January to June 2021, attendance in the Group's training reached 10,279 and the training covered all business regions and project departments domestically and abroad with 7,038 training hours cumulatively.

4. The establishment and operation of the business system for global human resources and informatisation system of the Group have been promoted effectively, and continued to be optimised during the process of promotion.

5. In respect of strategic human resources deployment for the first half of 2021, the Group continued to optimise its staff structure according to its operational needs and reserves manpower for additional programmes at the same time.

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

FINANCIAL REVIEW

Revenue

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

Other gains/(losses), net

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

Material costs

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

Employee benefit expenses

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

Short-term and low-value lease expenses

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

Transportation costs

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

Depreciation and amortisation

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

Technical service expenses

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

Impairment loss of assets

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

Others

For the six months ended 30 June 2021, other operating costs of the Group amounted to RMB60.3 million, representing an increase of RMB11.6 million, or 23.8% from RMB48.7 million for the same period of the previous year. The increase was mainly due to the increase of travel expenses and office fees as a result of the gradual recovery of overseas business and increase of manpower.

Operating profit

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

Finance costs, net

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

Income tax expense

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

Profit for the period

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

Profit attributable to equity holders of the Company

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

Property, plant and equipment

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

Right-of-use assets

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

Intangible assets

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

Deferred income tax assets

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

Prepayments and other receivables

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

Inventories

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

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

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

Liquidity and capital resources

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

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

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

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

Capital structure

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

Significant investment held

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

Material acquisitions and disposals of subsidiaries and associates

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

Assets pledged to secure bank borrowings

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

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

Assets pledged to secure the loans from a third party institution

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

Foreign exchange risk

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

Contingent liabilities

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

Off-balance sheet arrangement

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

Contractual obligations

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

Subsequent events

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

SUBSEQUENT WORK PLANS

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

1. The Group will grasp the strategic opportunity period of continuously increasing oil and gas exploration and exploitation and investment in the PRC to keep a foothold in the domestic market, taking into account overseas markets, so as to meet customers' needs for quality improvement, speed enhancement, efficiency improvement, production increase and cost reduction, and focus on value creation and efficiency improvement.

2. The Group will continue to focus on the policy of "accelerating strategic market layout and pragmatic implementation driven by technology" to optimize its business layout. The Group utilizes advanced technologies to address customer needs and leverages on technological progress to promote market expansion. The Group will continuously strengthen technology exchanges and cooperation in the industry, and open up a new prospect for symbiosis, co-creation and win-win with customers.

3. The Group will continue to improve the management level and enhance the ability to resist risks. The Group will continue to actively improve refined management level, put forth effort to improve quality and efficiency, enhance economic benefit and increase market competitiveness.

4. The Group will continue to pay attention to the development and growth of its employees, and effectively promote the establishment of a performance and technological innovation-oriented performance management system. The Group will continue to build a high-level innovative talent training system, and accelerate the training of innovative teams and top talents by relying on major technology projects.

5. The Group will continue to establish a long-term environmental, social, and governance management mechanism to constantly improve the overall level of sustainable development, and fulfill social duties and responsibilities.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 to the shareholders of the Company (for the six months ended 30 June 2020: nil).

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 2021.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 June 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2021 of the Group with the auditor of the Company.

PUBLICATION

The interim results announcement for the six months ended 30 June 2021 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sptenergygroup.com) respectively. The 2021 interim report will be despatched 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

The PRC, 25 August 2021

As of the date of this announcement, the executive Directors are Mr. Wang Guoqiang, Mr. Ethan Wu and Mr. Li Qiang; the non-executive Directors are Mr. Wu Jiwei 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*