SPT

SPT Energy Group Inc.
華油能源集團有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1251)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 AND CHANGE IN MEMBER AND CHAIRMAN OF BOARD COMMITTEES

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2011 increased by RMB270.8 million, or 25.8%, to RMB1,321.3 million from RMB1,050.4 million in 2010. The net profit attributable to the equity owners of the Company increased by RMB62.3 million, or 52.1%, to RMB181.8 million from RMB119.5 million in 2010.

The proposed final dividend was RMB13.4 million of RMB0.01 per share.

RESULTS

The board of directors (the "Board") of SPT Energy Group Inc. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Reporting Period"), together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,321,260**	1,050,432
Other (losses)/gains, net		**(7,760)**	4,206
Operating costs			
Material costs		**(363,390)**	(264,852)
Employee benefit expenses		**(252,958)**	(208,952)
Operating lease expenses		**(48,056)**	(36,400)
Transportation costs		**(66,327)**	(51,228)
Depreciation and amortisation		**(43,551)**	(31,542)
Technical service expenses		**(93,005)**	(139,410)
Impairment loss of assets		**(9,263)**	—
Others		**(161,301)**	(141,321)
		(1,037,851)	(873,705)
Operating profit		**275,649**	180,933
Finance income		**536**	339
Finance costs		**(14,535)**	(5,689)
Finance costs, net	*5*	**(13,999)**	(5,350)
Profit before income tax		**261,650**	175,583
Income tax expense	*6*	**(75,067)**	(56,140)
Profit for the year		**186,583**	119,443
Attributable to:			
Equity owners of the Company		**181,806**	119,509
Non-controlling interests		**4,777**	(66)
		186,583	119,443
Dividends proposed after balance sheet date	*10*	**13,350**	—
Basic and diluted earnings per share for the profit attributable to the equity owners of the Company	*7*	**0.18**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Profit for the year		**186,583**	119,443
Other comprehensive income:			
Currency translation differences		**(18,299)**	(9,409)
Total comprehensive income for the year		**168,284**	110,034
Attributable to:			
Equity owners of the Company		**163,438**	110,094
Non-controlling interests		**4,846**	(60)
		168,284	110,034

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	As at 31 December **2011** *RMB'000*	2010 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**214,625**	196,433
Intangible assets		**229**	760
Deferred income tax assets		**42,071**	31,826
Prepayments and other receivables		**27,491**	7,156
		284,416	236,175
Current assets			
Inventories		**245,089**	211,065
Trade receivables	*8*	**577,067**	445,142
Prepayments and other receivables		**58,824**	95,888
Restricted bank deposits		**2,031**	10,694
Cash and cash equivalents		**301,340**	166,721
		1,184,351	929,510
Total assets		**1,468,767**	1,165,685
EQUITY			
Equity attributable to the Company's equity owners			
Ordinary share		**849**	68
Share premium		**275,455**	—
Other reserves		**159,349**	313,330
Currency translation differences		**(33,596)**	(15,228)
Retained earnings			
— Proposed final dividend	*10*	**13,350**	—
— Others		**454,862**	303,837
		870,269	602,007
Non-controlling interests		**33,520**	(57)
Total equity		**903,789**	601,950

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2011

	Note	**As at 31 December** **2011** ***RMB'000***	2010 *RMB'000*
LIABILITIES			
Non-Current liabilities			
Borrowings		**9,071**	—
Deferred income tax liabilities		**7,629**	434
		16,700	434
Current liabilities			
Borrowings		**210,101**	159,975
Trade payables	*9*	**199,929**	269,210
Accruals and other payables		**96,084**	61,114
Current income tax liabilities		**41,516**	73,002
Current portion of long-term borrowings		**648**	—
		548,278	563,301
Total liabilities		**564,978**	563,735
Total equity and liabilities		**1,468,767**	1,165,685
Net current assets		**636,073**	366,209
Total assets less current liabilities		**920,489**	602,384

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Net cash inflows from operations	*11(a)*	**151,387**	141,289
Interest paid		**(10,226)**	(4,225)
Interest received		**262**	339
Income tax paid		**(109,970)**	(69,545)
Net cash generated from operating activities		**31,453**	67,858
Cash flows from investing activities			
Purchases of property, plant and equipment		**(83,126)**	(98,532)
Proceeds from disposal of property, plant and equipment	*11(b)*	**5,175**	10,828
Advance for purchase of land use right		**(6,500)**	—
Purchase of intangible assets		**(153)**	(804)
Net cash used in investing activities		**(84,604)**	(88,508)
Cash flows from financing activities			
Proceeds from borrowings		**515,496**	214,516
Repayments of borrowings		**(455,652)**	(114,541)
Net cash outflow arising from deemed distribution to the equity owners	*11(c)*	**—**	(15,248)
Contribution to subsidiaries by their then equity owners		**15,357**	8,003
Consideration paid to their then equity owners for acquisition of subsidiaries under common control		**(158,038)**	(9,939)
Proceeds from Global Offering		**334,749**	—
Payment of fees relating to Global Offering		**(61,207)**	—
Net cash generated from financing activities		**190,705**	82,791
Net increase in cash and cash equivalents		**137,554**	62,141
Cash and cash equivalents, at beginning of the year		**166,721**	106,512
Exchange loss on cash and cash equivalents		**(2,935)**	(1,932)
Cash and cash equivalents at end of the year		**301,340**	166,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

For the year ended 31 December 2011
(Amounts expressed in RMB unless otherwise stated)

1. GENERAL INFORMATION AND GROUP REORGANISATION

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 Scotia Centre, 4th Floor, P.O. Box 2804, George Town, 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 provision of oilfield services including drilling, well completion, reservoir, with ancillary activities in trading and manufacturing of oilfield services related products (the "Oilfield Services Business") mainly in the People's Republic of China (the "PRC"), Republic of Kazakhstan ("Kazakhstan") and Canada. The ultimate controlling party of the Group is 王國強先生 (Mr. Wang Guoqiang) and 吳東方先生 (Mr. Wu Dongfang) (collectively referred to as the "Controlling Shareholders").

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation"), the Oilfield Services Business was carried out by the subsidiaries now comprising the Group and other operating companies that were all controlled by the Controlling Shareholders. During the year ended 31 December 2010, certain of the operating companies were excluded from the Group ("the Excluded Entities") and were not transferred to the Company because the Excluded Entities have ceased their business on 31 December 2010 and became inactive. The operating activities of these companies have been fully taken over by other subsidiaries now comprising the Group. The Group's Reorganisation was completed on 14 February 2011 and the Company became the holding Company of the Group from 14 February 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 have been prepared using the financial information of the companies engaged in the Oilfield Services Business, under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout year ended 31 December 2010 or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period.

The consolidated balance sheet of the Group as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from the Controlling Shareholders' perspective.

For the purpose of reflecting all of the businesses under the common control of the Controlling Shareholders that formed an integral part of the Group's businesses and operations, the assets, liabilities and operation results of the Excluded Entities were reflected in the consolidated financial statements up to 31 December 2010, the effective date when the Excluded Entities ceased their operations in the Oilfield Services Business.

(b) Changes in accounting policy and disclosures

New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

The Group's and parent entity's assessment of the impact of these new and amended standards is set out below.

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

3. SEGMENT INFORMATION

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

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

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

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

(a) Revenue

Revenue recognised during the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
	RMB'000	*RMB'000*
Drilling	**450,798**	343,822
Well completion	**354,911**	323,808
Reservoir	**515,551**	382,802
	1,321,260	1,050,432

The measurement of profit or loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the reportable segments based on profit or loss before income tax expense, depreciation and amortisation, interest income and finance costs ('EBITDA').

Revenue amounting to RMB1,093,253,000 (2010: RMB914,681,000) are derived from Petro China Company Limited and its related entities. These revenue are attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 2011 and 2010 are as follows:

	Drilling	**Well completion**	**Reservoir**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011				
Revenue from external customers	**450,798**	**354,911**	**515,551**	**1,321,260**
EBITDA	**111,335**	**101,170**	**187,426**	**399,931**
Depreciation and amortisation	**(17,720)**	**(12,540)**	**(13,291)**	**(43,551)**
Income tax expense	**(26,858)**	**(25,428)**	**(49,959)**	**(102,245)**
Total assets	**308,510**	**399,241**	**325,358**	**1,033,109**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**53,907**	**2,138**	**16,436**	**72,481**
Year ended 31 December 2010				
Revenue from external customers	343,822	323,808	382,802	1,050,432
EBITDA	98,759	57,635	141,628	298,022
Depreciation and amortisation	(11,419)	(10,837)	(9,286)	(31,542)
Income tax expense	(23,735)	(12,718)	(35,965)	(72,418)
Total assets	278,430	308,856	292,130	879,416
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	30,410	28,640	33,858	92,908

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

	2011	2010
	RMB'000	*RMB'000*
EBITDA for reportable segments	**399,931**	298,022
Unallocated expenses		
— Share-based payments	**—**	(31,000)
— Other (losses)/gains, net	**(7,760)**	4,206
— Unallocated overhead expenses	**(72,971)**	(58,753)
	(80,731)	(85,547)
	319,200	212,475
Depreciation and amortisation	**(43,551)**	(31,542)
Finance costs	**(14,535)**	(5,689)
Finance income	**536**	339
Profit before tax	**261,650**	175,583

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 asset.

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

	2011	2010
	RMB'000	*RMB'000*
Segment assets for reportable segments	**1,033,109**	879,416
Unallocated assets		
— Deferred income tax assets	**42,071**	31,826
— Unallocated inventories	**26,067**	20,519
— Unallocated prepayment and other receivables	**64,149**	56,509
— Restricted bank deposits	**2,031**	10,694
— Cash and cash equivalents	**301,340**	166,721
	435,658	286,269
Total assets per balance sheet	**1,468,767**	1,165,685

(c) Geographical segment

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

	2011	2010
	RMB'000	*RMB'000*
Kazakhstan	**615,607**	462,137
PRC	**434,443**	441,847
Canada	**131,393**	91,375
Singapore	**113,507**	40,549
Others	**26,310**	14,524
	1,321,260	1,050,432

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

	2011	2010
	RMB'000	*RMB'000*
Kazakhstan	**116,180**	109,039
PRC	**79,824**	75,050
Canada	**11,772**	13,474
Singapore	**18,982**	525
Others	**15,587**	6,261
	242,345	204,349

4. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	2011	2010
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment	**35**	1,653
Losses on disposal of intangible assets	**576**	—
Sales tax and surcharges	**7,380**	9,517
Depreciation	**43,443**	31,380
Share issue costs	**22,122**	—
Amortisation of intangible assets	**108**	162
Auditor's remuneration	**2,000**	2,063

5. FINANCE COST, NET

	2011	2010
	RMB'000	*RMB'000*
Finance income:		
— Interest income on short-term bank deposits	**262**	339
— Net foreign exchange gains on financing activities	**274**	—
Finance income	**536**	339
Interest expense:		
— Bank borrowings	**(10,120)**	(4,928)
— Bank charges	**(4,415)**	(761)
Total finance costs	**(14,535)**	(5,689)
Net finance costs	**(13,999)**	(5,350)

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current taxation	**78,484**	55,679
Deferred taxation	**(3,417)**	461
Income tax expense	**75,067**	56,140

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

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

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

d. The subsidiary established in Singapore is subject to an incentive tax rate at 10%.

e. 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. During the financial year, the applicable EIT rate for the subsidiaries of the Group is 25%.

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

g. The corporate income tax rate for subsidiaries established in Canada is 29%.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**261,650**	175,583
Tax calculated at respective entities statutory tax rates	**59,219**	41,410
Preferential tax rates and tax exemption on the income of certain subsidiaries	**—**	(406)
Expenses not deductible for taxation purposes	**6,929**	12,512
Losses not recognised as deferred tax assets	**2,621**	1,595
Withholding tax of the unremitted earnings of certain subsidiaries	**6,298**	—
Withholding tax paid in foreign jurisdiction not deductible against local tax	**—**	1,029
Income tax expense	**75,067**	56,140

7. EARNINGS PER SHARE

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

	2011	2010
	RMB'000	*RMB'000*
Profit attributable to equity owners of the Company	**181,806**	119,509
Weighted average number of ordinary shares in issue (thousands)	**1,008,260**	1,000,000
Basic earnings per share (RMB per share)	**0.18**	0.12

As the Company had no dilutive instruments for the years ended 31 December 2011 and 2010, the diluted earnings per share is the same as basic earnings per share.

The earnings per share as presented above is calculated using the weighted average number of ordinary shares in issue for each of the years ended 31 December and 2011 and 2010.

8. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**586,341**	445,789
Less: impairment of trade receivables (a)	**(9,274)**	(647)
Trade receivables — net	**577,067**	445,142

Notes

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

	2011	2010
	RMB'000	*RMB'000*
As at 1 January	**(647)**	(647)
Add: provision for impairment of trade receivables	**(8,796)**	—
Less: reversal of impairment of trade receivables	**169**	—
As at 31 December	**(9,274)**	(647)

(b) Trade receivables of approximately RMB21,047,000 (2010: RMB21,656,000) was past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Up to 1 year	**15,688**	20,265
1 to 2 years	**5,291**	780
2 to 3 years	**—**	611
Over 3 years	**68**	—
	21,047	21,656

(c) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	2011	2010
	RMB'000	*RMB'000*
Up to 6 months	**554,184**	423,486
6 months–1 year	**12,233**	20,142
1–2 years	**19,378**	245
2–3 years	**—**	1,314
Over 3 years	**546**	602
Trade receivables, gross	**586,341**	445,789
Less: Impairment of trade receivables	**(9,274)**	(647)
Trade receivables, net	**577,067**	445,142

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

	2011 ***Equivalent in RMB'000***	2010 *Equivalent in RMB'000*
RMB	**273,792**	274,719
Kazakhstan Tenge ("KZT")	**187,892**	102,048
United States Dollar ("USD")	**109,963**	59,772
Canadian Dollar ("CAD")	**5,420**	8,603
	577,067	445,142

(e) Trade receivables are financial assets classified under "loan and receivables". The fair values of trade receivable approximated their carrying values.

(f) Most of the trade receivables are with credit terms of six months, except for retention money amounting to approximately RMB5,283,000 (2010: RMB2,830,000).

(g) Trade receivables of RMB179,276,000 (2010: RMB144,429,000) have been pledged for the Group's borrowings.

9. TRADE PAYABLES

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

	2011 ***RMB'000***	2010 *RMB'000*
Up to 6 months	**133,589**	245,239
6 months to 1 year	**29,901**	9,989
1–2 years	**29,895**	3,413
2–3 years	**2,187**	10,483
Over 3 years	**4,357**	86
	199,929	269,210

(b) As at 31 December 2011, the Group had no trade payables due to related parties (2010: RMB72,245,000).

(c) As at 31 December 2011 and 2010 the fair value of trade payables approximated their carrying value due to their short maturity period.

(d) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
	Equivalent in RMB'000	*Equivalent in RMB'000*
RMB	**106,090**	109,796
USD	**34,443**	107,351
CAD	**2,703**	2,239
KZT	**55,185**	49,260
Others	**1,508**	564
	199,929	269,210

10. DIVIDENDS

No dividend has been paid or declared by the Company during the financial year (2010: nil).

A dividend in respect of the year ended 31 December 2011 of Hong Kong Dollar ("HKD") 0.012335 (RMB 0.01) per share, amounting to a total dividend of approximately HKD16,467,000 (RMB13,350,000), is to be proposed at the next annual general meeting. The financial statements do not reflect this dividend payable. The Group's subsidiaries will declare sufficient dividends to the Company to enable the Company to pay dividends to its shareholders to be proposed at the annual general meeting.

11. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Cash flow from operations

Reconciliation of profit for the year to net cash inflows generated from operations:

	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**261,650**	175,583
Adjustments for:		
Property, plant and equipment		
— depreciation charge	**43,443**	31,380
— net loss on disposals	**35**	1,653
Intangible assets		
— amortisation	**108**	162
— net loss on disposals	**576**	—
Provision for impairment of assets	**9,262**	—
Share issue costs	**22,122**	—
Net foreign exchange loss/(gain)	**7,361**	(4,704)
Interest income	**(262)**	(339)
Interest expenses on borrowing	**10,120**	4,928
Share-based payments	**—**	31,000
Changes in working capital:		
Inventories	**(34,024)**	(17,202)
Trade receivables	**(140,552)**	(184,735)
Prepayments and other receivables	**15,203**	(70,935)
Trade payables	**(55,848)**	162,228
Accruals and other payables	**3,530**	10,509
Restricted bank deposits	**8,663**	1,761
Net cash inflows from operations	**151,387**	141,289

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2011	2010
	RMB'000	*RMB'000*
Net carrying value	**5,210**	12,481
Loss on disposal of property, plant and equipment	**(35)**	(1,653)
Proceeds from disposal of property, plant and equipment	**5,175**	10,828

(c) Net cash out flow arising from deemed distribution to the equity owners.

Pursuant to the Reorganisation mentioned in Note 1, the assets and liabilities of the Excluded Entities totaling approximately RMB197,128,000 are reflected and accounted for as a deemed distribution to the equity owners at 31 December 2010. The net cash outflow arising from deemed distribution to the equity owners is RMB15,248,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2011, the Group recorded revenue of RMB1,321.3 million, representing an increase of 25.8% as compared to the corresponding period last year, and achieved profits after tax of RMB186.6 million for the year, representing an increase of 56.2% as compared to last year.

As a leading Chinese non-state-owned integrated oilfield services provider, the Group is primarily engaged in the three businesses segments, namely, drilling services, well completion services and reservoir services, covering the major aspects of oilfield exploration and production industry chain, and occupied a leading market position in China high-end gas well completion market. According to the analysis report of Spears and Associates, the Group owned 75% of the market share in the high-end well completion market in the Tarim Oilfield of China in 2010. In 2011, we continued to adhere to the principle of "providing integrated solutions and serving our customers", focus on strengthening our capability in the relevant services and upgrading technologies regarding the reservoir research, drilling and well completion, production enhancement and oil production, and made significant achievements in talent pool, technology upgrading and other aspects. In particular, the Group achieved a significant breakthrough in the core technologies of exploration and development of unconventional gas with great potential, such as shale gas and coal bed methane. In 2011, the Group successfully carried out drilling fluid services and fracturing services for the first batch of horizontal shale gas wells of China National Petroleum Corporation ("CNPC") in Sichuan, and Coalbed Methane ("CBM") turnkey drilling operations for one well in Indonesia, which marked that the Group has achieved a substantial progress in the exploration and development technologies of unconventional gas.

The Group is one of the few non-state-owned enterprises in providing large-scale overseas oilfield services in China and has over 10 years' experience of oilfield services in overseas markets with wide business coverage in major oil and gas production regions around the world such as China, Central Asia, North America, Southeast Asia and the Middle East. In 2011, the overseas and domestic markets of the Group have made great progress. In overseas markets, in 2011, the Group strengthened the marketing team in some new overseas markets in Southeast Asia and the Middle East, leading to a significant increase in the number and quality of marketing personnel, and reached the cooperation intention with certain potential target customers, which enabled our overseas market share to be further consolidated and enhanced. During the year, the revenue generated from foreign operations amounted RMB886.8 million, representing 67.1% of our total revenue. The income generated from overseas market increased by 45.7% as compared to the corresponding period last year, which continued to maintain its leading edges in scale. In domestic market, the operations in the Tarim Oilfield market remained stable, and the scale in other markets increased significantly as compared to that of 2010. Especially, the revenue generated from Changqing Market amounted to RMB56.0 million, representing an increase of 123.9% as compared to the corresponding period of 2010, and there still exists a huge potential for growth.

Revenue Analysis

In 2011, the analysis of each main business segment of our Group is as follows (with tables):

	2011	2010
	RMB'000	*RMB'000*
Drilling	**450,798**	343,822
Well completion	**354,911**	323,808
Reservoir	**515,551**	382,802
Total	**1,321,260**	1,050,432

Drilling Segment

In 2011, the Group recorded revenue of RMB450.8 million from drilling, representing an increase of 31.1% as compared to the corresponding period last year. In the domestic market, we continued to maintain its leading advantage in high-end drilling services for gas wells (such as Fine-Managed Pressure Drilling, oil-base mud services) in Tarim Oilfield market and the Group successfully provided the shale gas drilling fluid technical services for a well in Sichuan Oilfield of CPNC, which indicated that we made another significant breakthrough in the exploration and development of shale gas in addition to the fracuring and acidising. This has enabled the Group to grasp more opportunities in such huge potential services market of unconventional natural gas. In the overseas markets, in 2011, the Group successfully completed CBM turnkey drilling operations (煤層氣鑽井總包作業) for a well in Indonesia, which served as a sound foundation for future rapid development of the Group in the field of unconventional gas in this region. In 2011, the Group achieved significant progress in drilling and well workover services in the market of Kazakhstan. As at the end of 2011, the Group had 17 well-drilling and repairing rigs under its actual control, and thus formed a scale operation of well drilling and workover business.

Well Completion Segment

In 2011, the Group recorded revenue of RMB354.9 million from well completion, representing an increase of 9.6% as compared to the corresponding period last year. For well completion string services, in 2011, the Group continued to maintain its leading position of high-end oil and gas well completion services in Tarim Oilfield in West China; and the Group has also strengthened its business expansion efforts in some major gas fields in Changqing and Xichuan, etc., which resulted in a significant growth in the operating results as compared to that of 2011. For our overseas markets, in 2011, to resolve the problem of poor production enhancement by conventional fracturing for deep wells in the market of Kazakhstan, the Group successfully completed the sectional reconstruction operations for five wells and maintained its leading edges of well completion operations in this region. For acid fracturing services, other than continuing to maintain a stable operation scale in regular fracturing services in Kazakhstan, the Group also achieved major breakthroughs in two regions in the country. Among others, the Group obtained a fracturing service contract in respect of the first batch of two shale gas horizontal wells of CNPC that was acquired through a successful tender in that year, and successfully completed the fracturing services for one well. This proved our technical capability of fracturing services in the field of domestic shale gas exploration and development technical services. In addition, the Group won a tender and completed the fracturing services for three wells in Turpan-Hami oilfield in the west of China. As a result, the oil production was enhanced and the quality of operation was highly recognised by oil companies. We expect to achieve a greater growth potential in 2012.

Reservoir Segment

In 2011, the Group recorded a revenue of RMB515.6 million from our reservoir segment, representing an increase of 34.7% over the corresponding period last year. The reservoir services in overseas market realized a revenue of RMB453.6 million. Our business of overseas reservoir services is mainly in Kazakhstan, North America and Indonesia. In 2011, apart from a rapid development of the dynamic monitoring and oil testing services, the newly expanded annual maintenance service for the compressors in Kazakhstan grew rapidly and recorded a revenue of RMB35.1 million for the year of 2011, which created another stable revenue source for such reservoir services. The reservoir services in domestic market realized a revenue of RMB62.0 million. The successful expansion of in-situ combustion business in Liaohe Oilfield accumulated valuable results and experience for the Group in respect of oil production technology for heavy oil wells. The Carbon Capture and Storage Permanent Monitoring Project of Shenhua Group achieved a goal of concurrently monitoring in four layers of one well, which proved a leading advantage of the Group in monitoring technology. To resolve the problems of downhole pressure depletion making the oil difficult to extract in the late stage of oil extraction, the Group developed a new technology of oil production, i.e. the negative pressure gas lift technology, and successfully applied such technology in an overseas oilfield. This new technology solved a major technical problem as it enables the old wells to constantly maintain a stable oil production in case the conventional gas lift technology fails to work. The Company believes such technology has a huge prospect for development.

The Group continued to strengthen its capability in the reservoir geological research in 2011. For the year ended 31 December 2011, the Group had a total of 20 senior experts of reservoir geological research, which enhanced the Group's capability for participating in early exploration, oilfield design and evaluation phases. This has strengthened the ability of the Group to provide more reasonable solutions for subsequent integrated services, and also further laid a strong foundation for the Company's strategy of providing integrated solutions by focusing on reservoir research.

Market and Industry

For the purpose of 2012, the Group is of the view that the overall situation of the market remains active and favorable, with the following main features:

- The PRC government will further enforce the development of crude oil and gas. Following the goals of the 12th Five-Year Plan on National Economic and Social Development, during the 12th Five-Year period, China will increase efforts to explore and develop oil and natural gas resources, stabilize domestic oil production, promote the rapid growth of natural gas production, boost the development and utilization of non-conventional oil and natural gas resources, such as CBM, shale gas, etc. In particular, it will focus on exploring the oil and gas area of offshore, major oil and gas basins and new onshore oil and gas area adhering to the principle of "Stabilizing the East, Accelerating the West, Exploring the Offshore Areas and Expanding Overseas"; significantly improving the recovery rate of the oil and gas fields by utilizing advanced technologies; promoting the rapid growth of the natural gas industry; strengthening the cooperation with overseas oil and gas resources.

- Central Asia, the Middle East and Southeast Asia will still be the major oil and gas development areas. According to Spears and Associates, in 2010, the total estimated capital expenditure for the drilling services, well completion services, and reservoir services provided by the Group in its current markets (i.e. China, Central Asia, Southeast Asia, the Middle East and North America) amounted to US$99.5 billion. Furthermore, the onshore drilling services, well completion services and reservoir services in the markets in which the Group currently involved in are expected to grow at a compound annual growth rate of 6.7% from 2010 to 2020, and will reach US$191 billion in 2020.

- The exploration of non-conventional oil and gas resources attracts extensive attention. With a declining of the global conventional oil and gas reserves and increasing difficulty in reserves and production enhancement, the non-conventional oil and gas resources shows its increasingly important strategic position, and especially the exploration of shale gas will play an increasingly important position in China. China has affluent shale gas reserves. According to Developing Program on Shale Gas (2011–2015) (《頁岩氣發展規劃(2011–2015年)》) issued by the NDRC of China, the task during the 12th Five-Year Plan will be completing the preliminarily researching and evaluation on shale gas to have a initial knowledge of resources and locations of shale gas, selecting 30 to 50 prospect areas and 50 to 80 targeting areas; discovery of 600 billion cubic metres of shale gas abundance and 200 billion cubic metres of shale gas exploration abundance. It is expected that these will be to achieve 6.5 billion cubic metres of shale gas production during 2015.

- Demand for the integrated services: with the increasing difficulty and complexity of the exploration and development of the oil fields, the oil companies are inclined to choose a comprehensive and integrated turnkey operation services, and such outsourcing service mode requires that a service company is able to provide an integrated services ranging from the reservoir geographical research to drilling, well completion and the subsequent oil testing, even production enhancement services. Compared with the original contracting model, such turnkey service model enables and ensures a clear division of responsibilities, effective control of the timing and the costs and better compatibility of the products and services. Especially for the complicated and difficult well operations, this model has been increasingly favored by the oil companies.

- The Chinese state-owned oil companies step up their expansion in the overseas markets. In China, demand for the crude oil and natural gas currently exceeds the production in the domestic market. Thus, the oil companies and Chinese government attach great importance to the overseas oil and gas resources reserves. At present, the three largest state-owned oil companies are actively seeking merger and acquisition opportunities in the overseas oil and gas resources sector, and such trend will continue for a long period of time in future. According to

Spears and Associates, it is expected that the investment for overseas acquisitions conducted by CNPC will be at least US$60 billion over the next decade, and CNPC has invested over US$ 6.2 billion for the upstream and downstream assets in Australia, Canada, Singapore and Central Asia areas in the past ten years.

Development Strategies

As one of the leading Chinese integrated oilfield technology service providers, the Group has been focusing on both domestic market and overseas market and has been delivering integrated services in the market as its business development strategies. Currently, the Group is in leading position in the domestic market for gas well and high-end well completion while the overseas market layout is initially completed. In order to further enhance the Group's overall competitiveness and seize the various opportunities from the future industry development, the Group will continue to uphold and implement the following development strategies:

1. To continue to increase the efforts in expanding overseas business, especially strengthening the business expansion in Central Asia, Middle East, Southeast Asia and regions with rich oil and gas resources.

2. To further foster the relationship with clients and intensify service scope. Through its specific long term and in-depth research on reservoir geology, to give more support to the oilfield in early stage of assessment and in later stage of development and hence boost the overall development of the Group's integrated business. To further improve its own supply-chain system, seek and develop more alliance and partnership, strengthening the Group's capabilities for integrated services.

3. To enhance the technological ability of key projects. Targeting the market of shale gas and coal bed methane, to introduce and master the related drilling technology and well completion technique as well as preparing related technology reserves.

4. Based on the existing basis of strategic development, to increase its efforts in R&D so as to support the Group's subsequent technological development.

5. To explore appropriate acquisition opportunities and keep improving and enhancing the Company's products and services. Merger and acquisition can help the Group to shorten the time for developing and accumulating new technologies. The Group will conduct research and assessment so as to seek to acquire and merge with companies with special technology and products, and continue to improve and enhance the product and service portfolio.

R&D and Manufacturing

The oilfield technical service a technology-intensive industry. Following the increasing difficulty in oilfield exploration and development, the capability in developing and applying new technologies is the key of achieving long-term sustainable development and grasping market opportunities for the service companies. According to its development plan, the Group will make great efforts in developing the R&D and manufacturing sector for the coming three to five years. In 2011, the Group's R&D expenses amounted to RMB20.5 million during the period. The Group has planned to spend RMB200 million in the coming three years for the construction of R&D and manufacturing centers in Tanggu, Tianjin City, China and Singapore, focusing on the research and development of related completion tools, downhole testing equipments, directional drilling tools as well as fracturing materials for oil and gas wells. Through these R&D efforts, the Group is able to:

1. promote the Group's technological advancement in several areas including drilling well, well completion, production capacity enhancement. With the wide application of horizontal well drilling and well fracturing technology in the process of oil and gas exploration and development, especially for shale gas, these core service technologies will have great development prospect.

2. significantly reduce the Group's principle business cost, optimize its cost structure through R&D and independent production, and hence increase the profitability. Currently, the Group's factories in Tanggu and Singapore are expected to commence on mass-production in this year.

Human Resources

The year of 2011 is crucial for the Group's human resources development. In order to maintain the Group's competitive edge as well as attract and retain high caliber professional expert and management talents, the Group increased its efforts in recruiting and training talents to expand its talent pool in particular having built up a team of senior management, high-end engineering and R&D technicians. A number of senior management and senior technicians, who have work experience with international renowned companies in providing oil and gas technical services, joined the Group in 2011. Their leading roles will be essential in the Group's future business growth.

Along the rapid growth of its international business, the Group made a great progress on staff localization in international business regions. The proportion of non-Chinese staff is increasing year by year, leading to remarkable achievement in intercultural management and globalization of human resources management. As at 31 December 2011, the total headcounts of the Group is 1,962. Among all staff, there are 1,015 Chinese staff and 947 overseas local staff.

Outlook

Looking ahead for 2012, the Group is of the view that the oil companies will put greater efforts in oilfield exploration and production to accelerate the rate of proved oil and gas reserves and to meet the increasing demand for oil and gas. The prospect of the overall industry is positive. Gas exploitation, including exploitation of unconventional gas, is still a popular area for the investment in the industry. Central Asia, the Middle East and Southeast Asia, which are the areas with rich in oil and gas, will be the popular regions with the fastest growth in investment.

- Our Group's products and services cover the main aspects of oil and gas exploration and production and can meet the demand of oil companies for the integrated turnkey service. In particular, as result of our proven track record in the high-end market in China, we have a competitive advantage in integrated oil and gas project in sophisticated geological conditions;

- As our Group has completed overseas market layout, other than the Central Asia markets which will maintain a strong growth, various markets in Southeast Asia and the Middle East are expected to develop rapidly in 2012 and realize the large-scale benefits.

- The exploration and development technical services of unconventional gas are expect to become a new driver for the business growth of the Company in 2012 and occupy an increasingly important strategic position in the subsequent development of the business. It will have a huge potential for development.

- Strong development in the R&D and production not only improve and upgrade the relevant products and services but also improve cost structure of the Group and further increase the profitability.

As discussed above, with the favorable external environment, the Group may achieve better results in 2012 and further promote such development trend in the coming three to five years.

Financial Review

Revenue

The revenue of the Company in 2011 was RMB1,321.3 million, representing an increase of RMB270.8 million, or 25.8%, as compared with 2010. The increase in revenue of the Group was primarily due to the growth in oil reservoir and drilling businesses, which brought to the increase in oil reservoir and drilling segments of 34.7% and 31.1%, respectively, as compared with 2010.

Other (losses)/gains, net

We had net other losses of RMB7.8 million for the year ended 31 December 2011 while we had net other gains of RMB4.2 million for the year ended 31 December 2010. Our net other losses for the year ended 31 December 2011 were primarily due to the appreciation in value of USD-denominated payables of our Kazakhstan subsidiaries against KZT, and the depreciation of USD-denominated receivables of our PRC subsidiaries against RMB. Our net other gains for the year ended 31 December 2010 were primarily due to the depreciation in value of USD-denominated payables of our PRC subsidiaries against RMB.

Material costs

For the year ended 31 December 2011, material costs of the Group was RMB363.4 million, representing an increase of RMB98.5 million, or 37.2%, as compared with 2010. The increase was mainly due to the growth in oil reservoir and drilling businesses.

Employee benefit expenses

Our employee benefit expenses for the year ended 31 December 2011 was approximately RMB253.0 million, representing an increase of RMB44.0 million, or 21.1%, as compared with 2010. The increase was primarily due to the increase in the numbers of employees in line with the growth of our business and the increase of average salary of employees.

Operating lease expenses

Our operating lease expenses for the year ended 31 December 2011 was approximately RMB48.1 million, representing an increase of RMB11.7 million, or 32.0%, as compared with 2010. The increase was primarily due to an increase in the number of operating vehicles leased by us for providing oilfield services, particularly oil reservoir services and drilling services, as well as the increase in leased offices.

Transportation costs

For the year ended 31 December 2011, our transportation costs was approximately RMB66.3 million, representing an increase of RMB15.1 million, or 29.5%, as compared with 2010. The increase was primarily due to business growth of the Group.

Depreciation and amortisation

Our depreciation and amortisation expenses for the year ended 31 December 2011 was approximately RMB43.6 million, representing an increase of RMB12.0 million, or 38.1% as compared with 2010. The increase was primarily due to an increase in machinery and equipment used in oilfield services of the Group, particularly machinery and equipment required for drilling and oil reservoir services.

Technical service expenses

Our technical service expenses for the year ended 31 December 2011 was approximately RMB93.0 million, representing a decrease of RMB46.4 million, or 33.3%, as compared with 2010. The decrease was primarily due to the changes in our business structure, in particular the decrease in the number of outsource of subcontracting work.

Impairment loss of assets

Our impairment loss of assets for the year ended 31 December 2011 was approximately RMB9.3 million, which represents the impairment loss relating to a trade receivable due from a Kazakhstan customer of the Group.

Others

Other operating costs of our Group for the year ended 31 December 2011 increased from RMB141.3 million for the year ended 31 December 2010 to RMB161.3 million, representing an increase of RMB20.0 million, or 14.1%. The increase was primarily relating to the expenses arising from the initial global offering of the Company, partially offset by the decrease of entertainment expenses and travelling expenses.

Operating profit

As a result of the foregoing, our operating profit increased from RMB180.9 million for the year ended 31 December 2010 to approximately RMB275.6 million for the year ended 31 December

2011, representing a growth of RMB94.7 million, or 52.4%. Our operating profit margin (operating profit divided by revenue) for 2011 was 20.9%, presenting an increase of 3.7 percentages as compared with 17.2% for 2010.

Net finance costs

Our net finance costs for the year ended 31 December 2011 was approximately RMB14.0 million, representing an increase of RMB8.6 million, or 161.7%, from RMB5.4 million for the year ended 31 December 2010. The increase was mainly due to an increase in our bank borrowings.

Income tax expense

Our income tax expense for the year ended 31 December 2011 was approximately RMB75.1 million, representing an increase of about RMB18.9 million, or 33.7%, from RMB56.1 million for the year ended 31 December 2010. The Group's effective income tax rate (income tax expense/ profit before income tax) of 2011 was 28.7%, representing a decrease of 3.3 percentages as compared with 32.0% of 2010. The decrease was primarily due to the fact that our Kazakhstan subsidiaries which are subject to 20% income tax rate contributed more profit in 2011 as compared to 2010, which lower the Group's effective tax rate.

Profit for the year

As a result of the foregoing, our profit for the year ended 31 December 2011 was approximately RMB186.6 million, representing an increase of RMB67.1 million, or 56.2%, from RMB119.4 million for the year ended 31 December 2010.

Profit attributable to the equity owners of the Company

In 2011, our profit attributable to the equity owners of the Company was approximately RMB181.8 million, representing an increase of RMB62.3 million, or 52.1%, as compared with the same period of 2010.

Property, plant and equipment

Property, plant and equipment consist of buildings, machinery and equipment, motor vehicles, furniture, fixtures, construction-in-progress and others. As at 31 December 2011 and 2010, property, plant and equipment were approximately RMB214.6 million and RMB196.4 million, respectively. The increase in 2011 was primarily due to our business expansion, which led to the demand for more buildings, machinery and equipment.

Inventory

Our inventory balance increased from RMB211.1 million as at 31 December 2010 to RMB245.1 million as at 31 December 2011, representing an increase of RMB34.0 million, or 16.1%. The increase of inventory is in line with the growth of our business for which, we prepared in advance more inventories for our services that will be rendered in 2012.

Trade and notes receivables

As at 31 December 2011, the net trade and notes receivables was RMB577.1 million, representing an increase of RMB131.9 million as compared with 2010. The increase was primarily due to a substantial increase in revenue. The average turnover days of trade receivables in 2011 were 141 days, which was almost the same as that of 2010. (Note: Turnover days of trade and notes receivables are equal to the sum of the balance of trade and notes receivables at the beginning of the year and the balance of trade and notes receivables at the end of the year divided by 2 and divided by the revenue and multiplied by 365 days per year).

Liquidity and capital resources

As at 31 December 2011, our cash and bank deposits were approximately RMB303.4 million (including restricted bank deposits of RMB2.0 million and cash and cash equivalents), representing an increase of RMB126.0 million as compared with the same period of 2010. The increase was primarily due to the Company's initial global offering in December of 2011.

As at 31 December 2011, our outstanding short-term bank borrowings and the current portion of long-term bank borrowings were RMB210.7 million, while our outstanding long-term borrowings were RMB9.1 million.

As at 31 December 2011, our gearing ratio was 24.3%, representing a decrease of 2.3 percentages as compared with the gearing ratio of 26.6% in year 2010. The decrease was mainly due to the offer of shares in the initial global offering. Gearing ratio is calculated as total borrowings divided by total equity. Total borrowings include borrowings and current portion of long-term borrowings as shown in the consolidated balance sheet.

Our equity attributable to the equity owners of the Company increased from approximately RMB602.0 million in 2010 to approximately RMB870.3 million in 2011. The increase was primarily due to the Company's initial global offering and profit of 2011.

Cash flow from operating activities

In 2011, cash inflows generated from operating activities were approximately RMB31.5 million, while the cash inflows in year 2010 were approximately RMB67.9 million, which was primarily due to increase in interest paid and income tax paid.

Cash flow from investing and financing activities

For the year ended 31 December 2011, we had net cash used in investing activities of approximately RMB84.6 million, which was primarily attributable to the RMB83.1 million used to purchase property, plant and equipment and RMB6.5 million used to obtain land use right, partially offset by the proceeds of RMB5.2 million from the disposal of property, plant and equipment.

For the year ended 31 December 2011, we had net cash generated from financing activities of approximately RMB190.7 million, which was mainly attributable to (i) RMB515.5 million of proceeds from borrowings, and (ii) RMB15.4 million of contribution to subsidiaries by their then equity holders, and (iii) RMB334.7 million of proceeds from the Company's initial global offering, partially offset by (a) RMB455.7 million in the repayment of borrowings, (b) RMB158.0 million for the consideration we paid to acquire certain subsidiaries, and (c) RMB61.2 million for payment of fees related to the initial global offering.

Foreign exchange risk

The Group mainly operates in the PRC, Kazakhstan and Canada with most of the transactions denominated and settled in RMB, KZT and CAD, respectively. The Group's certain sales to and purchase from overseas are denominated in USD. Foreign exchange risk also arises from certain bank deposits denominated in foreign currencies. The Group is exposed to foreign currency exchange risk primarily with respect to USD.

During the financial year, the Group did not use any financial instrument to hedge the foreign exchange risk. However, we will manage our foreign currency risk by closely monitoring the foreign currency exposure and will consider hedging significant currency exposure should the need arise.

Contractual Obligations

Our contractual commitment mainly includes the capital expenditure commitments and the repayments under operating lease arrangements. The capital expenditure commitments mainly represent land use rights, and our land use rights commitment in 2011 amounted RMB16.7 million. The operating leases mainly include the lease of offices, warehouses and equipments and, as at 31 December 2011, our commitment under operating leases was RMB53.4 million.

Contingent liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities or guarantees.

Off-balance sheet arrangements

As at 31 December 2011, the Group did not have any off-balance sheet arrangements.

Use of Net Proceeds from the Listing

The net proceeds from the issue of new shares of the Company in its initial global offering (after deducting the underwriting commission and related expenses) amounted to approximately HKD372.4 million, which are intended to be utilized in accordance with the allocation set out in the relevant sections of the prospectus of the Company dated 14 December 2011.

Dividend

No dividend has been paid or declared by the Company during the financial year (2010: nil).

A dividend in respect of the year ended 31 December 2011 of HKD0.012335 (RMB0.01) per share, amounting to a total of approximately HKD16,467,000 (RMB13,350,000), is to be proposed at the forthcoming annual general meeting. The financial statements do not reflect this dividend payable. The Group's subsidiaries will declare sufficient dividends to the Company to enable the Company to pay dividends to its shareholders to be proposed at the annual general meeting.

Subject to the approval at the forthcoming annual general meeting of the Company, the final dividend will be payable no later than the end of July 2012 to the shareholders of the Company whose names appear on the register of members of the Company on 13 June 2012.

Closure of Register of Members

In order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on 5 June 2012, the register of members of the Company will be closed from 31 May 2012 to 5 June 2012, both days inclusive. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 May 2012.

In order to determine the entitlement to the final dividend, the register of members of the Company will be closed from 11 June 2012 to 13 June 2012, both days inclusive. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 8 June 2012.

Corporate Governance Practices

The Group is committed to upholding high standards of corporate governance so as to protect the interests of the shareholders and enhance corporate value and accountability. The Company has adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the Board and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Save as disclosed herein, since 23 December 2011 (the "Listing Date") and up to the date of this announcement, the Company was in compliance with code provisions set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry with all directors, each of the directors has confirmed that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities of the Company

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Audit Committee

The audit committee has jointly reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2011 with the management and the external auditors, PricewaterhouseCoopers.

Change in member and chairman of Board Committees

To enhance the corporate governance level and pursuant to the latest modified provisions of the Listing Rules, the Board has made the following changes to the board committees of the Company with effect from 28 March 2012:

1. Ms. Chen Chunhua, an independent non-executive director of the Company, has been appointed as the chairman of the Remuneration Committee in place of Mr. Wang Guoqiang who remains as a member of the Remuneration Committee.

2. Mr. Wang Guoqiang, the Chairman of the Board, has been appointed as the chairman of the Nomination Committee in place of Mr. Wu Dongfang who has also ceased to be a member of the Nomination Committee.

Publication of the Audited Consolidated Annual Results and 2011 Annual Report on the websites of the Stock Exchange and the Company

The annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.spt.cn), and the 2011 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2012

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

* *For identification purposes only*