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 2012

INTERIM RESULTS HIGHLIGHTS

1. Revenue increased by 44.5% to RMB590.3 million as compared to the same period of 2011

2. Net profit attributable to equity owners of the Company increased by 39.3% to RMB65.8 million as compared to the same period of 2011

3. The Board proposed no interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil) to the shareholders

The board of directors (the "Board") of SPT Energy Group Inc. (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Current Period"), together with the comparative figures for the same period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2012 RMB'000 Unaudited	2011 RMB'000 Audited
Revenue	*4*	**590,333**	408,482
Other losses, net		**(423)**	(4,964)
Operating costs			
Material costs		**(130,107)**	(98,898)
Employee benefit expenses		**(153,245)**	(91,784)
Operating lease expenses		**(29,695)**	(18,241)
Transportation costs		**(33,276)**	(24,508)
Depreciation and amortisation		**(29,278)**	(18,981)
Technical service expenses		**(43,709)**	(32,596)
Impairment loss of assets		**(3,650)**	(1,283)
Others		**(62,866)**	(48,675)
		(485,826)	(334,966)
Operating profit	*5*	**104,084**	68,552
Finance income		**1,353**	152
Finance costs		**(8,885)**	(3,681)
Finance costs, net		**(7,532)**	(3,529)
Profit before income tax		**96,552**	65,023
Income tax expense	*6*	**(29,225)**	(18,663)
Profit for the period		**67,327**	46,360
Profit attributable to:			
Equity owners of the Company		**65,819**	47,241
Non-controlling interests		**1,508**	(881)
		67,327	46,360
Earnings per share for the profit attributable to the equity owners of the Company			
Basic and diluted earnings per share	*7*	**0.049**	0.047

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
		RMB'000	*RMB'000*
	Note	**Unaudited**	Audited
Profit for the period		**67,327**	46,360
Other comprehensive income:			
Currency translation differences		**3,034**	(1,123)
Total comprehensive income for the period		**70,361**	45,237
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**68,851**	46,102
Non-controlling interests		**1,510**	(865)
		70,361	45,237

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2012** *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**237,276**	214,625
Land use right		**23,930**	—
Goodwill		**781**	—
Intangible assets		**168**	229
Deferred income tax assets		**55,614**	42,071
Prepayments and other receivables		**21,780**	27,491
		339,549	284,416
Current assets			
Inventories		**356,720**	245,089
Trade receivables	*9*	**639,240**	577,067
Prepayments and other receivables		**106,033**	58,824
Restricted bank deposits		**6,241**	2,031
Cash and cash equivalents		**102,935**	301,340
		1,211,169	1,184,351
Total assets		**1,550,718**	1,468,767
EQUITY			
Equity attributable to the Company's equity owners			
Ordinary share		**849**	849
Share premium		**275,455**	275,455
Other reserves		**162,307**	159,349
Currency translation differences		**(30,564)**	(33,596)
Retained earnings			
— Proposed final dividend	*8*	**—**	13,350
— Others		**520,681**	454,862
		928,728	870,269
Non-controlling interests		**40,614**	33,520
Total equity		**969,342**	903,789

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Note	**30 June 2012** *RMB'000* **Unaudited**	31 December 2011 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**11,809**	9,071
Deferred income tax liabilities		**12,935**	7,629
Trade payables		**9,896**	—
		34,640	16,700
Current liabilities			
Borrowings		**220,081**	210,101
Trade payables	*10*	**219,292**	199,929
Accruals and other payables		**78,081**	96,084
Current income tax liabilities		**27,669**	41,516
Current portion of long-term borrowings		**1,613**	648
		546,736	548,278
Total liabilities		**581,376**	564,978
Total equity and liabilities		**1,550,718**	1,468,767
Net current assets		**664,433**	636,073
Total assets less current liabilities		**1,003,982**	920,489

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Net cash used in operating activities	**(150,179)**	(17,541)
Net cash used in investing activities	**(63,316)**	(54,776)
Net cash generated from/(used in) financing activities	**14,917**	(10,440)
Net decrease in cash and cash equivalents	**(198,578)**	(82,757)
Cash and cash equivalents, at beginning of the period	**301,340**	166,721
Exchange gains/(losses) on cash and cash equivalents	**173**	(718)
Cash and cash equivalents at end of the period	**102,935**	83,246

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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 (the "Stock Exchange") on 23 December 2011 through a global offering.

The Company is an investment holding company. The Group is principally engaged in provision of oilfield services including drilling, well completion and 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 ("PRC"), Republic of Kazakhstan ("Kazakhstan"), Singapore and Canada. The ultimate controlling parties of the Group are Mr. Wang Guoqiang (王國強) and Mr. Wu Dongfang (吳東方) (collectively referred to as "Controlling Shareholders").

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 28 August 2012.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have any material impact on the Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- 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. The Group is in the process of assessing IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. SEGMENT INFORMATION

The chief operating decision-makers ("CODMs") have been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODMs have 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 CODMs make 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 CODMs.

The CODMs assess 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.

The CODMs evaluate the performance of the reportable segments based on profit or loss before income tax expense, depreciation and amortisation, interest income and finance costs ("EBITDA"). Information provided to the CODMs is measured in a manner consistent with that in the financial statements.

(a) Revenue

Revenue recognised during the six months ended 30 June 2012 and 2011 is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Drilling	**178,216**	128,707
Well completion	**179,400**	74,610
Reservoir	**232,717**	205,165
	590,333	408,482

(b) Segment information

(i) The segment information on EBITDA for the six months ended 30 June 2012 and 2011 is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
EBITDA		
Drilling	**46,080**	34,147
Well completion	**45,960**	9,814
Reservoir	**82,977**	77,871
	175,017	121,832

(ii) The segment information on total assets as at the respective balance sheet date is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Total assets		
Drilling	**314,860**	308,510
Well completion	**544,055**	399,241
Reservoir	**424,509**	325,358
	1,283,424	1,033,109

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
EBITDA for reportable segments	**175,017**	121,832
Unallocated expenses		
— Share-based payments	**(2,958)**	—
— Other losses, net	**(423)**	(4,964)
— Unallocated overhead expenses	**(38,274)**	(29,335)
	(41,655)	(34,299)
	133,362	87,533
Depreciation and amortisation	**(29,278)**	(18,981)
Finance costs	**(8,885)**	(3,681)
Finance income	**1,353**	152
Profit before tax	**96,552**	65,023

(iv) The amounts provided to the CODMs with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Segment assets for reportable segments	**1,283,424**	1,033,109
Unallocated assets		
— Deferred income tax assets	**55,614**	42,071
— Unallocated inventories	**31,529**	26,067
— Unallocated prepayments and other receivables	**70,975**	64,149
— Restricted bank deposits	**6,241**	2,031
— Cash and cash equivalents	**102,935**	301,340
	267,294	435,658
Total assets per balance sheet	**1,550,718**	1,468,767

(c) Geographical segment

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Kazakhstan	**272,228**	218,309
PRC	**187,053**	122,674
Canada	**50,971**	38,719
Singapore	**62,005**	17,917
Others	**18,076**	10,863
	590,333	408,482

(ii) 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:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Kazakhstan	**118,813**	116,180
PRC	**99,814**	79,824
Canada	**10,658**	11,772
Singapore	**40,495**	18,982
Others	**14,155**	15,587
	283,935	242,345

5. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
(Gains)/losses on disposal of property, plant and equipment	**(76)**	846
Sales tax and surcharges	**294**	902
Depreciation	**29,220**	18,808
Amortisation of intangible assets	**58**	173
Auditor's remuneration	**1,500**	1,277

6. INCOME TAX EXPENSE

The Group operates mainly in PRC, Kazakhstan, Singapore and Canada. During the six months ended 30 June 2012, the Company expected the profit before tax in these countries was subject to the income tax rate of 25%, 20%, 10% and 29% respectively.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Current taxation		
— PRC	**17,550**	5,757
— Kazakhstan	**15,814**	18,503
— Others	**5,390**	2,571
Deferred taxation	**(9,529)**	(8,168)
Income tax expense	**29,225**	18,663

7. EARNINGS PER SHARE

(a) Basic 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 period.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Profit attributable to equity owners of the Company	**65,819**	47,241
Weighted average number of ordinary shares in issue (thousands)	**1,335,000**	1,000,000
Basic earnings per share (RMB per share)	**0.049**	0.047

(b) Diluted earnings per share

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. As at 30 June 2012, the only dilutive factor of the Company was the outstanding share options. For the purpose of calculating diluted earnings per share, the Company assumed the outstanding share options had been exercised upon the grant dates of the options. Meanwhile, a calculation is made in order 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 from the date of grant to 30 June 2012) based on the monetary value of the subscription rights attached to outstanding share options, which are deducted from the total number of outstanding share options to determine the number of diluted shares deemed to be issued at no consideration.

No adjustments for assumed conversion of share options for the six months ended 30 June 2012 was made because the exercise price was higher than the average market share price during the six months ended 30 June 2012. Hence, there were no dilutive ordinary shares and the diluted earnings per share equals the basic earnings per share.

8. DIVIDEND

The annual general meeting held on 5 June 2012 approved the Company to pay a final dividend for the year ended 31 December 2011 of Hong Kong Dollar ("HKD") 0.012335 (RMB0.01) per ordinary share, amounting to HKD16,467,000 (RMB13,350,000). As at 30 June 2012, the dividend has not been paid.

The Board proposed no interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

9. TRADE RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**650,485**	586,341
Less: provision for impairment of trade receivables	**(11,245)**	(9,274)
Trade receivables — net	**639,240**	577,067

(a) The Group's trade receivables are with credit term of six months, except for retention money amounting to approximately RMB2,969,000 (31 December 2011: RMB5,283,000). As at 30 June 2012, trade receivables amounting to RMB125,096,000 were past due but not impaired (31 December 2011: RMB21,047,000). These receivables relate to a number of independent customers for whom there is no recent history of default. Ageing analysis of gross trade receivables as at the respective balance sheet date is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Up to 6 months	**511,175**	554,184
6 months–1 year	**120,576**	12,233
1–2 years	**16,911**	19,378
2–3 years	**1,345**	—
Over 3 years	**478**	546
Trade receivables, gross	**650,485**	586,341
Less: provision for impairment of trade receivables	**(11,245)**	(9,274)
Trade receivables, net	**639,240**	577,067

(b) Trade receivables amounting to RMB130,351,000 (31 December 2011: RMB179,276,000) have been pledged for the Group's borrowings.

10. TRADE PAYABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	Unaudited	Audited
Current	**219,292**	199,929
Non-current	**9,896**	—
	229,188	199,929

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

	30 June 2012 ***RMB'000*** **Unaudited**	31 December 2011 *RMB'000* Audited
Up to 6 months	**155,116**	133,589
6 months to 1 year	**37,961**	29,901
1–2 years	**30,962**	29,895
2–3 years	**3,966**	2,187
Over 3 years	**1,183**	4,357
	229,188	199,929

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the first half year of 2012, the Group recorded a revenue of RMB590.3 million and net profit of RMB67.3 million from its operation, representing an increase of 44.5% and 45.2% respectively as compared with the comparative period of 2011.

As a leading non-state-owned integrated oilfield services provider in PRC, the main businesses of SPT Energy Group consist of three business segments, namely drilling services, well completion services and reservoir services, covering most of the turnkey and specialised services in the oilfield exploration and production, which led to a pioneering market position in natural gas exploration and development in PRC, especially in the high-end natural gas well completion market. During the first half year of 2012, all main businesses segments of the Group have shown significant annual growth in revenue and profits. Our leading position in the industry has been further strengthened.

With its over-a-decade of experiences in multinational operation, the Group has wide business coverage in the major oil and gas production regions around the world, such as PRC, Central Asia, North America, Southeast Asia and the Middle East. We are one of the few non-state-owned enterprises with the capability to engage in large-scale overseas oilfield services in PRC. In the first half year of 2012, our overseas and domestic businesses have achieved a rapid development. For the overseas market, the Group recorded a revenue of RMB403.3 million from main businesses in the first half year of 2012, which accounted for 68.3% of our total revenue and represented an annual growth of 41.1% as compared with the comparative period of 2011, thus maintaining our leading edges in scale. For the domestic market, the Group recorded a revenue of RMB187.1 million from main businesses during the first half year of 2012, which represented an increase of 52.5% as compared with the comparative period of 2011.

During the Reporting Period, the Group has further strengthened the introduction, research and development, and on-the-site application of some key technologies in oilfield exploration and development, such as reservoir geological research, drilling and well completion technologies, production enhancement technologies and advanced oil production technologies. As a result, these new technologies and products have been further applied and justified. As for unconventional gas with great potential, the technologies and products of our Group received further recognition.

During the first half year of 2012, we have successfully completed the fracturing services operation for our second horizontal shale gas wells in Sichuan, PRC, and also successfully completed CBM turnkey drilling operations (煤層氣鑽井總包作業) for our second well in Indonesia. The substantial progress achieved in these two operations and services represented that our equipments and standards in services and technologies in the areas of unconventional natural gas exploration and development turned to be more and more mature to meet the demands from the rapid development of related business in the future.

Revenue analysis

In the first half year of 2012, the analysis of each main business segment of our Group is as follows (with tables):

	For the six months ended 30 June		
	2012	2011	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Audited	
Drilling services	**178,216**	128,707	38.5%
Well completion services	**179,400**	74,610	140.5%
Reservoir services	**232,717**	205,165	13.4%
Total	**590,333**	408,482	44.5%

Reservoir Services Segment

	For the six months ended 30 June		
Revenue	**2012**	2011	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Audited	
PRC	**27,441**	14,764	85.9%
Overseas	**205,276**	190,401	7.8%
Total	**232,717**	205,165	13.4%

During the first half year of 2012, the Group recorded a revenue of RMB232.7 million in reservoir services segment, representing an increase of 13.4% as compared with the comparative period of 2011, while reservoir services in our overseas market recorded a revenue of RMB205.3 million. Our overseas reservoir services operations mainly in Kazakhstan, North America and Indonesia. During the Current Period, the Group successfully won a contract of a total amount of United States Dollar ("USD") 32.38 million for the provision of dynamic monitoring services for PetroKazhakstan Company in Kazakhstan with a term of 33 months, showing that our clients recognised the quality of our services and the capabilities of our Group. Our market position in Kazakhstan region has been therefore further enhanced. In respect of the domestic market, reservoir services recorded a revenue of RMB27.4 million for the first half year of 2012. Apart from the existing business, the Group successfully commenced turnkey business for oil and gas production device maintenance in the Tarim Oilfield during the Current Period. It is expected that such business will generate over RMB100 million income for the Group in the year of 2012 based on our preliminary valuation. The smooth commencement of such businesses further strengthened the system of our products and services, and at the same time, created a stable and continuous stream of revenue.

During the first half year of 2012, we have further enhanced our reservoir geological research. With our participation in the oilfield design and assessment in the early stage of exploration, we have laid a foundation for providing solutions for the latter stages of oilfield development. Currently, there are over 20 senior experts in our reservoir research centre. They are expertise in three major technologies, namely oilfield geology, geophysical and reservoir engineering. During the Report Period, our research centre has already provided more than five different oilfield geological research projects for Daqing Oilfield, Northeast Bureau of Sinopec and Jidong Oilfield. It is expected that these research projects would help attract more engineering technology services business.

Well completion services segment

Revenue	For the six months ended 30 June		Growth Rate
	2012	2011	
	RMB'000	*RMB'000*	
	Unaudited	Audited	
PRC	**102,806**	41,481	147.8%
Overseas	**76,594**	33,129	131.2%
Total	**179,400**	74,610	140.5%

During the first half year of 2012, our well completion business has gained a substantial growth, with a revenue of RMB179.4 million, representing an increase of 140.5% as compared with the comparative period of 2011.

In the first half of year 2012, the Group recorded a revenue of RMB102.8 million in well completion services in the domestic market representing an annual growth of 147.8% as compared with the comparative period of 2011. Besides our stable leading position in high-end well completion services for gas wells in Tarim Oilfield, we have also achieved a revenue of RMB22.8 million in well completion services for gas storage project in Xinjiang oilfield, showing our leading edges in high-end well completion services for natural gas well. For the overseas market, our completion business grew rapidly in the first half year of 2012, with a revenue of RMB76.6 million, representing an increase of 131.2% as compared with the comparative period of 2011. While Central Asia market amounted to RMB30.3 million, it is anticipated that further development could be achieved in the second half year of 2012 in this region.

For acid fracturing services, apart from maintaining stable operation scale in conventional fracturing services in Kazakhstan, the Group also successfully completed fracturing services for its second shale gas horizontal well in Sichuan during the Report Period, PRC, demonstrating our technological capabilities in domestic shale gas exploration and development services. Following our rendition of fracturing services for three wells in Turpan-Hami Oilfield in 2011, we have, in the first half year of 2012, successfully completed services for five wells.

Drilling services segment

Revenue	For the six months ended 30 June		
	2012	2011	Growth Rate
	RMB'000	*RMB'000*	
	Unaudited	Audited	
PRC	**56,806**	66,429	-14.5%
Overseas	**121,410**	62,278	94.9%
Total	**178,216**	128,707	38.5%

In the first half year of 2012, the Group recorded a revenue of RMB178.2 million from drilling services segment, representing an increase of 38.5% as compared with the comparative period of last year. In the domestic market, we continued to maintain its leading position in high-end drilling services for gas wells (such as the areas of Fine-Managed Pressure Drilling and oil-base drilling fluid services) in Tarim Oilfield market. Oil-base drilling fluid services with a novel drilling fluid material with huge development potential, has achieved scale operations in Tarim Oilfield during the first half year of 2012. During the current period, the Group once operated four wells at the same time, and recorded a revenue of RMB29 million. It is expected to record a revenue of over RMB0.1 billion for the year of 2012. The Group recorded an annual growth decline in the revenue from domestic drilling operations, mainly because Fine-Managed Pressure Drilling operations did not commence until the second half year due to the influence of work cycles of drilling operations. In the overseas market, the Group successfully completed CBM turnkey drilling operations (煤層氣鑽井總包作業) for the second well in Indonesia during the Current Period, which enhanced our strength in capturing further market share in the unconventional natural gas market in that region. During the same period, the assembly for the second set of special CBM drilling rig as invested by the Group has been substantially completed and the drilling rig is planned to be delivered to the Indonesian market in September 2012, for the Group's scale operations in exploratory and development services of unconventional natural gas in that market. In the first half year of 2012, there was a significant achievement in drilling and well workover business in the market of Kazakhstan, recording a revenue from operations of RMB94.3 million, representing an increase of 66.8% as compared to the corresponding period of last year. As of the end of the Reporting Period, the Group has utilized 20 well-drilling and work over rigs in Kazakhstan, and conducted different well-drilling and work over operations in six oilfields throughout three regions.

Market environment

For industrial environment, the external macro-environment is expected to remain relatively favorable. Although volatility still exists, the demand and supply of the global oil and gas is basically stable. With the long-term demand set out as well as the current condition of imbalance of supply and demand in certain markets, it is expected that oil companies will continue to increase the relevant investment in exploration and development which will create development opportunities for services companies.

From the microscopic perspective of industrial environment, following the in-depth global oil and gas exploration and development activity, the directions for the exploration and development of oilfields and the services model which are resulted from demand from customers keep evolving, the two characteristics set out below become more and more obvious, posing greater challenges to the servicing capability of technical services companies.

- Focus shifted to development of unconventional oil and gas resources. With a decline in global conventional oil and gas reserves and increasing difficulty in step-up production, the strategic importance of unconventional oil and gas resources increased, especially in PRC market. National Energy Administration of PRC officially issued a five-year plan (the "Five-year Plan") for the exploration of shale gas on 16 March 2012, symbolizing that the exploration of shale gas has been adopted as the national policy and the exploration has already started. According to such planning program, the production volume of domestic shale gas is expected to reach 6.5 billion cubic metres by 2015 and the planned production target is around 60 billion to 100 billion cubic metres by 2020. The second phase of tender for shale gas segment will be launched shortly. Since the reservoir forming and geological conditions of shale gas are quite different from that of conventional natural gas, exploring technology and service required are different, exploration technologies and products localization and reduction of the overall service cost remain a big challenge for all service companies.

- Customers show preference for comprehensive and integrated turnkey operation services. With the increasing difficulty and complexity of the exploration and development of the oilfields, the oil companies tend to choose a turnkey contract model (a single service company provides an integrated service package including geographical reservoir research, drilling, well completion, oil testing, and even production enhancement services) especially for the complicated and difficult well operations. This service model has been well accepted and adopted by an increasing number of customers. Such model sets a higher standard for a service company, therefore, the market of single products and the service companies will be further diminished.

Research and development ("R&D") and manufacturing

The oilfield technical service is a technology-intensive industry. With the increasing difficulty in oilfield exploration and development, the capability in developing and applying new technologies is the key for achieving long-term sustainable development and grasping market opportunities for the service companies.

During the Current Period, the Group has integrated all of the intra-group research and development strengths, and established its technology committee of the Group, deploying the Group's short and long-term planning in R&D and technical development, especially focusing on the research and development of tools and materials required for the exploration of shale gas and other unconventional gas, in which the well-drilling tools for directional wells independently developed and designed by the Group are expected to complete on-site testing by the end of 2012 and commenced its operation.

During the Current Period, the Group further accelerated the R&D and manufacturing of downhole tools. The operation of the first phase of the Group's R&D and manufacturing base in Singapore has commenced. The completion in construction of such centre will greatly enhance the Group's technological edge in respect of downhole operations and further facilitate reducing the production cost of the Group.

As of the end of the Current Period, the Group possesses a total of 30 approved patents. During the Report Period, the Group has newly applied for four patents and has 15 patents pending the approvals.

HUMAN RESOURCES

In the first half year of 2012, the Group has further optimized its internal organizational structure, reinforced the development and training of internal talents, and continued to attract high-caliber talents in management, engineering service and R&D at home and abroad, in order to establish stronger technical and service capabilities, and ensure the competitive edges of the Group. As of 30 June 2012, the Group had 3,039 employees. In the overseas market, the Group further carried the strategy of staff localization and optimized the international personnel structure. The rate of staff localization in non-PRC regions has exceeded 95%, ensuring the smooth run of our global business.

In order to attract and retain the crucial staff in key positions, the Group has implemented the share option scheme and granted options to some staff crucial for the Group's operations in the first quarter of 2012. Besides, the Group has further strengthened its compensation management system for staff, optimized the compensation structure and enhanced the incentive mechanism. Meanwhile, in order to meet the demand of business globalization, the Group will further develop and improve the compensation strategies for international staff in various countries and regions, to suit the needs of human resources management for different regions.

OUTLOOK

In the second half year of 2012 and for a fairly long time thereafter, the development of natural gas will still be one of the highlighted industries for investment in the market. With the endorsement of the Five-year Plan for shale gas in PRC and the commencement of the second round of tender for shale gas regions, shale-oil companies will further accelerate their exploration and development. Globally, Central Asia, the Middle East, Southeast Asia and other regions also rich in oil and gas resources will become the most popular regions in investment with the fastest growth. In face of the external circumstances, we will seize the opportunities and, at the same time, lay a sound foundation for our plans in 2013 with the following major tasks:

1. To further consolidate the fast growing businesses, and especially those with obvious growing momentum, such as well completion, drilling fluid services, workover, operation and maintenance of gas and oil production, we will, besides ensuring the quality of our service, reinforce our efforts in the expansion of new markets and securing new projects, so as to achieve a larger order scale.

2. To further expand our overseas market, especially the development of new markets, and to continue our vigorous expansion in the established markets in Southeast Asia and Middle East, aiming at exploring the competitive businesses of the Group in such markets and obtaining systematic operations.

3. To speed up our pace in research and development, facilitate the field application of the well-established products and increase the proportion of self-owned technologies and products, and reduce direct costs.

4. Further expand our product and service system, speed up the development of engineering services and construction business relate to oil and gas production and transportation device.

5. To tighten quality control and ensure the safeness and environment-friendliness of field operations, as well as to further optimize the quality control system of the Company and enhance our management standard, so as to provide a safe production process for the Group's oilfield customers.

As a result of foregoing, looking ahead for 2012, the Group is of the view that, together with the encouraging circumstances, our major customers will put greater efforts in oilfield exploration and development to accelerate the operation of exploration and materialize the proved oil and gas reserves, and will ensure a rising demand and supply in oil and gas. External operating factors and environment of the Group is optimistic. In the meantime, with our good results achieved in the first half year of 2012, the Group is geared up for even better performance in all business in the coming second half year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the first half year of 2012 was approximately RMB590.3 million, representing an increase of approximately RMB181.8 million, or approximately 44.5%, as compared with approximately RMB408.5 million in the comparative period of 2011. The increase in the revenue of the Group was primarily due to the business growth of the Group, especially the substantial growth in well completion.

Other losses, net

For the first half year of 2012, net other losses of the Group was approximately RMB0.4 million. It was primarily due to the appreciation in value of USD-denominated payables of our PRC and Kazakhstan subsidiaries against RMB and Kazakhstani Tenge ("KZT").

Material costs

For the first half year of 2012, material costs of the Group was approximately RMB130.1 million, representing an increase of approximately RMB31.2 million, or 31.5%, as compared with approximately RMB98.9 million in the comparative period of 2011. The increase was mainly due to the increase in consumption of materials driven by business growth.

Employee benefit expenses

Our employee benefit expenses for the first half year of 2012 was approximately RMB153.2 million, representing an increase of approximately RMB61.4 million, or 66.9%, as compared with approximately RMB91.8 million in the comparative period of 2011. The increase was primarily due to the increase in the numbers of staff and average wages.

Operating lease expenses

Our operating lease expenses for the first half year of 2012 was approximately RMB29.7 million, representing an increase of approximately RMB11.5 million, or 63.2%, as compared with RMB18.2 million in the comparative period of 2011. The increase was primarily due to the business growth of the Group.

Transportation costs

For the first half year of 2012, our transportation costs was approximately RMB33.3 million, representing an increase of approximately RMB8.8 million, or 35.9%, as compared with RMB24.5 million in the comparative period of 2011. The increase was primarily due to the production business growth of the Group.

Depreciation and amortisation

Our depreciation and amortisation expenses for the first half year of 2012 was approximately RMB29.3 million, representing an increase of approximately RMB10.3 million, or 54.2%, as compared with approximately RMB19.0 million in the comparative period of 2011. The increase was primarily due to the increase in the fixed assets.

Technical service expenses

Our technical service expenses for the first half year of 2012 was approximately RMB43.7 million, representing an increase of approximately RMB11.1 million, or 34.0%, as compared with approximately RMB32.6 million in the comparative period of 2011. The increase was primarily due to the increase in related technical services driven by the substantial growth in drilling and well completion.

Impairment loss of assets

Our impairment loss of assets for the first half year of 2012 was approximately RMB3.7 million, primarily due to the provision for bad debt relating to receivables that the Group expected to be uncollectible.

Others

Other operating costs of our Group for the first half year of 2012 increased from approximately RMB48.7 million for the comparative period of 2011 to approximately RMB62.9 million, representing an increase of approximately RMB14.2 million, or 29.2%. The increase was primarily relating to the increase in administrative expenses arising from expansion in business and number of staff.

Operating profit

As a result of the foregoing, our operating profit increased from approximately RMB68.6 million for the comparative period of 2011 to approximately RMB104.1 million for the first half year of 2012, representing an increase of approximately RMB35.5 million, or 51.7%.

Finance costs, net

Our net finance cost for the six months ended 30 June 2012 was approximately RMB7.5 million, representing an increase of RMB4.0 million, or 114.3%, from RMB3.5 million for the comparative period of 2011. The increase was mainly due to the increase of our borrowings in the period.

Income tax expense

Our income tax expense for the first half year of 2012 was approximately RMB29.2 million, representing an increase of about RMB10.5 million, or 56.1%, as compared with approximately RMB18.7 million for the comparative period of 2011. The Group's effective income tax rate (income tax expense/profit before income tax) for the first half year of 2012 was 30.2%, whereas the effective income tax rate of the comparative period of 2011 was 28.8%. The increase was primarily due to the increase in withholding tax related to unremitted earnings of certain subsidiaries of the Group.

Profit for the Current Period

As a result of the foregoing, the net profit for the first half year of 2012 was approximately RMB67.3 million, representing an increase of approximately RMB20.9 million, or 45.0%, from approximately RMB46.4 million for the comparative period of 2011.

Profit attributable to the equity owners of the Company

For the first half year of 2012, the profit attributable to the equity owners of the Company was approximately RMB65.8 million, representing an increase of approximately RMB18.6 million, or 39.4 %, from approximately RMB47.2 million for the comparative period of 2011.

Property, plant and equipment

As at 30 June 2012, property, plant and equipment were approximately RMB237.3 million, representing an increase of approximately RMB22.7 million, or 10.6%, as compared with approximately RMB214.6 million at 31 December 2011. The increase was mainly due to the purchase of equipment and acquisition of certain subsidiary which also brings the Group certain equipments.

Inventory

Our inventory balance as at 30 June 2012 was approximately RMB356.7 million, representing an increase of approximately RMB111.6 million, or 45.5%, as compared with approximately RMB245.1 million at 31 December 2011. The increase of inventory was primarily due to the expansion of the Group's business.

Trade receivables and payables

As at 30 June 2012, our net trade receivables was approximately RMB639.2 million, representing an increase of approximately RMB62.1 million, or 10.8%, as compared with approximately RMB577.1 million at 31 December 2011. The increase was primarily due to the increase in revenue.

As at 30 June 2012, our net trade payables was approximately RMB229.2 million (including non-current trade payables of RMB9.9 million and current trade payables of RMB219.3 million), representing an increase of approximately RMB29.3 million, or 14.7%, as compared with approximately RMB199.9 million at 31 December 2011. It was mainly due to the expansion in purchase amount.

Liquidity and capital resources

As at 30 June 2012, our cash and bank deposits were approximately RMB109.2 million (including restricted bank deposits of RMB6.2 million and cash and cash equivalents), representing a decrease of RMB194.2 million, or 64.0%, as compared with RMB303.4 million at 31 December 2011. The decrease was primarily due to the utilisation of cash by the Group in operating costs and capital expenditure.

As at 30 June 2012, our outstanding short-term bank borrowings and the current portion of long-term bank borrowings were RMB221.7 million, while our outstanding long-term borrowings were RMB11.8 million.

As at 30 June 2012, our gearing ratio was 24.1%, representing a decrease of 0.2% as compared with 24.3% at 31 December 2011. The decrease was mainly due to the increase in the Group's equity. Gearing ratio is calculated as total borrowings divided by total equity. Total borrowings include long-term borrowings, short-term borrowings and current portion of long-term borrowings.

As at 30 June 2012, our equity attributable to the equity owners of the Group was approximately RMB928.7 million, representing an increase of RMB58.4 million, or 6.7%, as compared with RMB870.3 million at 31 December 2011.

Cash flow from operating activities

For the first half year of 2012, our net cash used in operating activities was approximately RMB150.2 million, representing an increase of RMB132.7 million as compared with the net cash used of approximately RMB17.5 million in the comparative period of 2011. It was primarily due to the increasing need for cash driven by the continuing expansion of the Group's business and relatively longer billing cycle arising from fast-growing new markets and business.

Cash flow used in investing and generated from/(used in) financing activities

For the first half year of 2012, the Group had cash flows used in investing activities of approximately RMB63.3 million. It mainly included RMB39.5 million used in acquiring property, plant and equipment and RMB17.4 million used in acquiring land use rights and RMB6.8 million used in acquiring subsidiaries.

For the first half year of 2012, the net cash flows generated from financing activities was approximately RMB14.9 million, which was primarily due to the increase of borrowings.

Foreign exchange risk

The Group mainly operates in PRC, Kazakhstan, Singapore and Canada with most of the transactions denominated and settled in USD, RMB, KZT, Singapore dollar and Canadian dollar, respectively. 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.

For the first half year of 2012, 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.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2012, the total number of ordinary shares of the Company in issue was 1,335,000,000 shares (31 December 2011: 1,335,000,000 shares). The total equity attributable to owners of the Company amounted to approximately RMB928,728,000 (31 December 2011: RMB870,269,000).

On 7 August 2012, the Company and certain subscribers entered into an agreement, pursuant to which the Company agreed to issue convertible bonds in an aggregate principal amount of USD15,000,000. The proceeds from convertible bonds will be used as the Group's general working capital.

Significant investment held

As at 30 June 2012, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

As of the Current Period, the Group did not have any material acquisition and disposal of subsidiaries and associates.

Assets pledged

As at 30 June 2012, the Group had pledged part of its trade receivables and non-current prepayment for operating lease to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2012 *RMB'000* *Unaudited*	As at 31 December 2011 *RMB'000* *Audited*
Trade receivables	**130,351**	179,276
Non-current prepayment for operating lease	**18,017**	18,472
	148,368	197,748

Contingent liabilities

As at 30 June 2012, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

As at 30 June 2012, the Group did not have any off-balance sheet arrangements.

Contractual obligations

Our contractual commitment mainly includes the capital expenditure commitments and the repayments under operating lease commitments. The capital expenditure commitments mainly represent acquisition of property, plant and equipment. The property, plant and equipment commitments as at 30 June 2012 were RMB5.4 million. The operating lease commitments mainly include the lease of offices, warehouses and equipments. As at 30 June 2012, our operating lease commitments was RMB34.9 million.

INTERIM DIVIDEND

The Board proposed no interim dividend for the Current Period (for the six months ended 30 June 2011: nil) to the shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As of the Current Period, the Company has complied with all the applicable code provisions of the Code of Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and Corporate Governance Code (from 1 April 2012 to 30 June 2012) (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following provision.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the Board and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Board currently comprises three executive directors (including Mr. Wang Guoqiang) and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

The code provision A.6.4 of the CG Code stipulates that the Company should formulate written guidelines for dealings in its securities by the relevant employees. As a part of good corporate governance, at a Board meeting held on 28 August 2012, the Board has formally adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in Appendix 10 of the Listing Rules — Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") for the compliance by the relevant employees of the Company in respect of their dealings in the Company's securities. The Company has committed to upholding a high standard of corporate governance and meet the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having made specific enquiry with all directors, each of the directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2012.

REVIEW OF INTERIM RESULTS

The audit committee has jointly reviewed the accounting principals and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2012 of the Group with the management and the auditors of the Company.

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

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION

The interim results announcement for the Current Period of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.spt.cn) respectively. The 2012 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2012

As at 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*