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 2013

ANNUAL RESULTS HIGHLIGHTS

The Group's revenue for the year ended 31 December 2013 increased by RMB581.1 million, or 31.9%, to RMB2,402.8 million from RMB1,821.7 million in 2012. The profit for the year attributable to the equity owners of the Company increased by RMB52.7 million, or 21.3%, to RMB300.4 million from RMB247.7 million in 2012. Excluding the option costs impact, the profit for the year attributable to the equity owners of the Company increased by 31.1% yoy.

The proposed final dividend was RMB76.5 million of RMB0.05 per share (2012: RMB0.04 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 2013 (the "Reporting Year"), together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December **2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**2,402,767**	1,821,661
Other gains/(losses), net		**12,608**	(11,435)
Operating costs			
Material costs		**(539,764)**	(460,223)
Employee benefit expenses		**(544,254)**	(414,764)
Operating lease expenses		**(172,818)**	(79,340)
Transportation costs		**(77,809)**	(75,899)
Depreciation and amortisation		**(70,706)**	(57,372)
Technical service expenses		**(322,500)**	(129,357)
Impairment loss of assets		**(25,844)**	(10,999)
Others		**(247,552)**	(220,203)
		(2,001,247)	(1,448,157)
Operating profit	*4*	**414,128**	362,069
Finance income	*5*	**6,672**	2,331
Finance costs	*5*	**(31,310)**	(25,128)
Finance costs, net		**(24,638)**	(22,797)
Profit before income tax		**389,490**	339,272
Income tax expense	*6*	**(81,093)**	(84,334)
Profit for the year		**308,397**	254,938
Attributable to:			
Equity owners of the Company		**300,377**	247,703
Non-controlling interests		**8,020**	7,235
		308,397	254,938
Dividends proposed after balance sheet date	*10*	**76,520**	61,000
Earnings per share for the profit attributable to the equity owners of the Company			
Basic earnings per share	*7*	**0.197**	0.184
Diluted earnings per share	*7*	**0.194**	0.183

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**308,397**	254,938
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**(21,776)**	(1,058)
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(50,553)**	(2,212)
Total comprehensive income for the year	**236,068**	251,668
Attributable to:		
Equity owners of the Company	**227,854**	244,245
Non-controlling interests	**8,214**	7,423
	236,068	251,668

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

		As at 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**372,721**	277,497
Land use right		**23,206**	23,689
Goodwill		**781**	781
Intangible assets		**34,860**	9,055
Deferred income tax assets		**70,877**	57,233
Available-for-sales financial assets		**1,680**	–
Prepayments		**40,147**	20,594
		544,272	388,849
Current assets			
Inventories		**484,947**	315,309
Trade and note receivables	*8*	**1,255,807**	1,043,269
Prepayments and other receivables		**106,376**	75,120
Restricted bank deposits		**24,840**	13,785
Cash and cash equivalents		**635,954**	658,713
		2,507,924	2,106,196
Total assets		**3,052,196**	2,495,045
Equity			
Equity attributable to the Company's equity owners			
Ordinary share		**972**	968
Share premium			
– Proposed final dividend	*10*	**76,520**	61,000
– Others		**586,706**	654,963
Other reserves		**242,483**	211,889
Currency translation differences		**(109,577)**	(37,054)
Retained earnings		**986,956**	689,881
		1,784,060	1,581,647
Non-controlling interests		**47,134**	46,527
Total equity		**1,831,194**	1,628,174

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
Liabilities			
Non-Current liabilities			
Borrowings		**84,772**	125,730
Deferred income tax liabilities		**22,089**	20,666
Trade payables		**–**	4,998
		106,861	151,394
Current liabilities			
Borrowings		**142,000**	194,189
Trade payables		**683,680**	325,375
Accruals and other payables	*9*	**185,097**	162,175
Current income tax liabilities		**55,351**	31,134
Current portion of long-term borrowings		**48,013**	2,604
		1,114,141	715,477
Total liabilities		**1,221,002**	866,871
Total equity and liabilities		**3,052,196**	2,495,045
Net current assets		**1,393,783**	1,390,719
Total assets less current liabilities		**1,938,055**	1,779,568

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

		Year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Net cash inflows from operations	*11*	**334,551**	54,174
Interest paid		**(18,927)**	(17,578)
Interest received		**7,384**	3,348
Income tax paid		**(69,606)**	(97,833)
Net cash (used)/generated from operating activities		**253,402**	(57,889)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(134,104)**	(117,914)
Proceeds from disposal of property, plant and equipment		**8,977**	7,994
Purchase of land use right		**–**	(17,632)
Purchases of available-for-sale financial assets		**(1,680)**	–
Payments for intangible assets		**(28,080)**	(8,902)
Acquisition of a subsidiary, net		**–**	(6,754)
Net cash used in investing activities		**(154,887)**	(143,208)
Cash flows from financing activities			
Net proceeds from issuance of convertible bonds		**–**	94,526
Proceeds from bank borrowings		**182,250**	258,198
Repayments of bank borrowings		**(231,264)**	(220,744)
Proceeds from share option exercised		**5,620**	–
Acquisition of non-controlling interests of a subsidiary		**(11,584)**	–
Dividends paid to shareholders		**(61,158)**	(13,350)
Proceeds from issuance of ordinary shares		**–**	446,778
Payment of fees relating to issuance of ordinary shares		**–**	(6,151)
Net cash generated from financing activities		**(116,136)**	559,257
Net increase in cash and cash equivalents		**(17,621)**	358,160
Cash and cash equivalents, at beginning of the year		**658,713**	301,340
Exchange loss on cash and cash equivalents		**(5,138)**	(787)
Cash and cash equivalents at end of the year		**635,954**	658,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
(Amounts expressed in RMB unless otherwise stated)

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 4th Floor, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company had its primary listing on the Stock Exchange of Hong Kong Limited.

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 mainly in the People's Republic of China (the "PRC"), Republic of Kazakhstan ("Kazakhstan"), Singapore and Canada. The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Wu Dongfang (吳東方) (collectively referred to as the "Controlling Shareholders").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 26 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1.1 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.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group has included the disclosures for items that may or will not be classified to profit and loss in the consolidated statement of comprehensive income.

IFRS 10 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10. This standard has no material impact on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those that are relevant to the Group are set out below:

IFRS 9, 'Financial instruments', IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is in the process to assess the impact of IFRIC 21 and will adopt this on 1 January 2014.

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

3. SEGMENT INFORMATION

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

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

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

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

(a) Revenue

Revenue recognised during the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
	RMB'000	*RMB'000*
Drilling	**953,778**	658,850
Well completion	**649,730**	531,502
Reservoir	**799,259**	631,309
	2,402,767	1,821,661

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

Revenue amounting to RMB2,004,124,000 (2012: RMB1,426,441,000) are derived from Petro China and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

(b) Segment information

The segment information for the years ended 31 December 2013 and 2012 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2013				
Revenue from external customers	**953,778**	**649,730**	**799,259**	**2,402,767**
EBITDA	**247,346**	**166,357**	**244,901**	**658,604**
Total assets	**985,114**	**543,346**	**607,247**	**2,135,707**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**28,465**	**20,095**	**6,934**	**55,494**
Year ended 31 December 2012				
Revenue from external customers	658,850	531,502	631,309	1,821,661
EBITDA	190,917	144,484	214,774	550,175
Total assets	589,149	538,760	485,602	1,613,511
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	48,034	15,952	25,022	89,008

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

	2013 ***RMB'000***	2012 *RMB'000*
EBITDA for reportable segments	**658,604**	550,175
Unallocated expenses		
– Share-based payments	**(34,074)**	(7,486)
– Other gains/(losses), net	**12,608**	(11,435)
– Unallocated overhead expenses	**(152,304)**	(111,813)
	(173,770)	(130,734)
	484,834	419,441
Depreciation and amortization	**(70,706)**	(57,372)
Finance costs	**(31,310)**	(25,128)
Finance income	**6,672**	2,331
Profit before tax	**389,490**	339,272

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

	2013 *RMB'000*	2012 *RMB'000*
Segment assets for reportable segments	**2,135,707**	1,613,511
Unallocated assets		
– Deferred income tax assets	**70,877**	57,233
– Unallocated inventories	**66,573**	73,832
– Unallocated prepayment and other receivables	**116,565**	77,971
– Restricted bank deposits	**24,840**	13,785
– Available-for-sale financial assets	**1,680**	–
– Cash and cash equivalents	**635,954**	658,713
	916,489	881,534
Total assets per balance sheet	**3,052,196**	2,495,045

(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:

	2013 *RMB'000*	2012 *RMB'000*
PRC	**1,036,895**	791,437
Kazakhstan	**987,983**	749,734
Canada	**71,170**	117,856
Singapore	**288,890**	131,244
Others	**17,829**	31,390
	2,402,767	1,821,661

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

	2013 *RMB'000*	2012 *RMB'000*
PRC	**255,051**	114,600
Kazakhstan	**123,523**	128,442
Canada	**13,027**	10,741
Singapore	**55,126**	43,137
Others	**24,988**	34,696
	471,715	331,616

4. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	2013	2012
	RMB'000	*RMB'000*
Gains on disposal of property, plant and equipment	**(904)**	(6,118)
Sales tax and surcharges	**6,586**	8,451
Depreciation	**67,948**	56,874
Amortisation of land use right and intangible assets	**2,758**	498
Auditor's remuneration	**4,600**	3,980

5. FINANCE COSTS, NET

	2013	2012
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**7,384**	3,348
– Net foreign exchange losses on financing activities	**(712)**	(1,017)
Finance income	**6,672**	2,331
Interest expense:		
– Bank borrowings	**(14,773)**	(18,864)
– Bank charges	**(4,441)**	(2,133)
– Liability component of convertible bonds	**(12,096)**	(4,131)
Total finance costs	**(31,310)**	(25,128)
Net finance costs	**(24,638)**	(22,797)

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current taxation	**93,823**	87,896
Deferred taxation	**(12,730)**	(3,562)
Income tax expense	**81,093**	84,334

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 Netherlands 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 subsidiaries established in Singapore are subject to Singapore profit tax at 16.5% and an preferential tax rate at 10% respectively.

e. PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2013 and 2012, certain subsidiaries established in the western area of the PRC were subject to an preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

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

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

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

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

	2013 ***RMB'000***	2012 *RMB'000*
Profit before income tax	**389,490**	339,272
Tax calculated at domestic tax rates applicable to profits in the respective countries	**65,416**	62,601
Expenses not deductible for taxation purposes	**5,590**	4,802
Losses not recognised as deferred tax assets	**7,581**	752
Accrued withholding tax of the unremitted earnings of certain subsidiaries	**–**	12,260
Withholding tax paid in foreign jurisdiction not deductible against local tax	**2,506**	3,919
Income tax expense	**81,093**	84,334

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 year.

	2013 ***RMB'000***	2012 *RMB'000*
Profit attributable to equity owners of the Company	**300,377**	247,703
Weighted average number of ordinary shares in issue (thousands)	**1,527,973**	1,345,932
Basic earnings per share (RMB per share)	**0.197**	0.184

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity owners of the Company	**300,377**	247,703
Add: Interest expense on convertible bonds	**12,096**	4,131
	312,473	251,834
Weighted average number of ordinary shares in issue (thousands)	**1,527,973**	1,345,932
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	**71,779**	25,227
– Share options (thousands)	**15,460**	2,161
	1,615,212	1,373,320
Diluted earnings per share	**0.194**	0.183

8. TRADE AND NOTE RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables (a)	**1,292,003**	1,054,439
Less: impairment of trade receivables	**(36,196)**	(13,170)
Trade receivables – net	**1,255,807**	1,041,269
Note receivables	**–**	2,000
	1,255,807	1,043,269

Notes:

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

(b) Most of the trade receivables are with the expected credit terms of six months, except for retention money amounting to RMB8,094,000 (2012: RMB11,909,000). Except for those disclosed in (d) and (e) below, for trade receivables that are neither past due nor impaired, management considered these were receivables from customer with long cooperation history and no default history, therefore the risk of impairment was low.

(c) Ageing analysis of gross trade receivables as at 31 December 2013 and 2012 is as follows:

	2013	2012
	RMB'000	*RMB'000*
Up to 6 months	**1,185,920**	958,293
6 months – 1 year	**24,224**	48,673
1 – 2 years	**76,509**	37,576
2 – 3 years	**5,264**	9,419
Over 3 years	**86**	478
Trade receivables, gross	**1,292,003**	1,054,439
Less: Impairment of trade receivables	**(36,196)**	(13,170)
Trade receivables, net	**1,255,807**	1,041,269

(d) Trade and note receivables of RMB66,358,000 (2012: RMB75,326,000) were past due but not impaired. These receivables relate to a number of independent customers for whom there were no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	2013	2012
	RMB'000	*RMB'000*
Up to 1 year	**43,503**	60,069
1 to 2 years	**22,832**	15,243
2 to 3 years	**23**	14
	66,358	75,326

(e) As at 31 December 2013, trade receivables amounted to RMB36,196,000 (2012: RMB13,170,000) were impaired and fully provided. The individually impaired trade and note receivables mainly related to certain customers who are in unexpectedly difficult financial situations and certain receivables with long ageing which the Company considered difficult to recover.

Movements of impairment of trade receivables are as follows:

	2013	2012
	RMB'000	*RMB'000*
As at 1 January	**(13,170)**	(9,274)
Add: provision for impairment of trade receivables	**(23,026)**	(3,896)
As at 31 December	**(36,196)**	(13,170)

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

	2013 ***Equivalent in RMB'000***	2012 *Equivalent in RMB'000*
RMB	**702,605**	502,072
KZT (Kazakhstam Tenge)	**436,306**	358,075
USD (US Dollar)	**109,328**	175,958
SGD (Singapore Dollar)	**4,060**	4,847
CAD (Canada Dollar)	**3,508**	2,317
	1,255,807	1,043,269

(g) Trade receivables of RMB22,000,000 (2012: RMB250,593,000) have been pledged for the Group's borrowings.

9. ACCRUALS AND OTHER PAYABLES

	2013 ***RMB'000***	2012 *RMB'000*
Interest payable	**1,598**	3,008
Others	**19,778**	21,035
Total financial liabilities	**21,376**	24,043
Customer deposits and receipts in advance	**1,470**	14,841
Payroll and welfare payable	**57,446**	42,856
Taxes other than income taxes payable	**104,805**	80,435
Total non-financial liabilities	**163,721**	138,132
	185,097	162,175

10. DIVIDENDS

The dividends paid during the year ended 31 December 2013 were RMB61,158,000 (2012: RMB13,350,000).

A dividend in respect of the year ended 31 December 2013 of RMB0.05 (equivalent to HKD0.064) per share, amounting to a total dividend of RMB76,520,000 (equivalent to HKD97,325,000), is to be proposed at the next annual general meeting. The dividend will be paid out of the share premium account of the Company. The financial statements do not reflect this dividend payable.

11. CASH GENERATED FROM OPERATIONS

	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**389,490**	339,272
Adjustments for:		
Property, plant and equipment		
– depreciation charge	**67,948**	56,874
– net gains on disposals	**(904)**	(6,118)
Land use right and intangible assets		
– amortisation	**2,758**	498
Provision for impairment of assets	**25,844**	10,999
Net foreign exchange (gains)/losses	**(9,294)**	14,258
Interest income	**(7,384)**	(3,348)
Interest expenses on borrowing	**14,773**	18,864
Interest expenses on convertible bonds	**12,096**	4,131
Share-based payments	**34,074**	7,486
Changes in working capital:		
Inventories	**(169,638)**	(69,349)
Trade receivables	**(235,564)**	(464,845)
Prepayments and other receivables	**(33,538)**	(17,979)
Trade payables	**271,244**	119,913
Accruals and other payables	**(16,299)**	55,272
Restricted bank deposits	**(11,055)**	(11,754)
Net cash inflows from operations	**334,551**	54,174

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

	2013	2012
	RMB'000	*RMB'000*
Net carrying value	**8,611**	6,698
Gains on disposal of property, plant and equipment	**904**	6,118
Less: unsettled receivables in relation to the disposal	**(538)**	(4,822)
Proceeds from disposal of property, plant and equipment	**8,977**	7,994

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, revenue of the Group was RMB2,402.8 million, representing an increase of RMB581.1 million, or 31.9%, as compared with that of RMB1,821.7 million for the previous year. The increase was mainly due to business growth, especially substantial expansion in drilling segment.

Other gains/(losses), net

For the year ended 31 December 2013, other gains, net of the Group was RMB12.6 million, while the other (losses), net for the previous year was RMB11.4 million. The net gains for the reporting year was primarily in relation to the appreciation of our RMB-denominated assets against USD and USD-dominated assets against Canadian dollars.

Material costs

For the year ended 31 December 2013, material costs of the Group was RMB539.8 million, representing an increase of RMB79.6 million, or 17.3%, as compared with that of RMB460.2 million for the previous year. The increase of material costs was mainly driven by the growth of the Group's business.

Employee benefit expenses

For the year ended 31 December 2013, employee benefit expenses of the Group was RMB544.3 million, representing an increase of RMB129.5 million, or 31.2%, as compared with that of RMB414.8 million for the previous year. This was mainly due to the increase in employee numbers along with the business expansion and the increase of share-based payments in relation to share options granted in 2013.

Operating lease expenses

For the year ended 31 December 2013, operating lease expenses of the Group was RMB172.8 million, representing an increase of RMB93.5 million, or 118.0%, as compared with that of RMB79.3 million for the previous year. This was mainly due to that the Group leased from suppliers more equipment to meet the growth of Group's business.

Transportation costs

For the year ended 31 December 2013, transportation costs of the Group was RMB77.8 million, representing an increase of RMB1.9 million, as compared with that of RMB75.9 million for the previous year.

Depreciation and amortisation

For the year ended 31 December 2013, depreciation and amortisation of the Group was RMB70.7 million, representing an increase of RMB13.3 million, or 23.2%, as compared with that of RMB57.4 million for the previous year. The increase was mainly due to the procurement of more operating equipments to meet the business expansion.

Technical service expenses

For the year ended 31 December 2013, technical service expenses of the Group was approximately RMB322.5 million, representing an increase of RMB193.1 million, or 149.2%, as compared with that of RMB129.4 million for the previous year. The increase was mainly because the Group outsourced from suppliers more heavy equipment along with hiring of operators to meet the business requirements.

Impairment loss of assets

For the year ended 31 December 2013, impairment loss of assets was RMB25.8 million. The impairment loss of assets was in relation to the increase of bad-debt provision of receivables which the Group estimated uncollectable.

Others

For the year ended 31 December 2013, other operating costs of the Group was RMB247.6 million, representing an increase of RMB27.4 million, or 12.4%, as compared with that of RMB220.2 million for the previous year. This was mainly due to the increase of administrative expenses driven by the business expansion.

Operating profit

As a result of the aforementioned changes, operating profit of the Group increased from RMB362.1 million for the previous year to RMB414.1 million for the year ended 31 December 2013, representing an increase of RMB52.0 million, or 14.4%.

Finance costs, net

For the year ended 31 December 2013, the Group's finance costs, net was RMB24.6 million, representing an increase of RMB1.8 million, or 7.9%, as compared with that of RMB22.8 million for the previous year. This is mainly due to the increasing interest of the convertible bonds, partially offset by the decrease of bank loans interests.

Income tax expense

For the year ended 31 December 2013, income tax expense was RMB81.1 million, representing a decrease of RMB3.2 million, as compared with that of RMB84.3 million for the previous year. The effective income tax rate (income tax expense/profit before income tax) for the year of 2013 was 20.8% while the effective income tax rate for previous year was 24.9%. This was mainly because the Group did not recognise deferred tax liabilities in relation to certain subsidiaries' unremitted profit for the Reporting Year as the Group expected such profit will be re-invested in its operation.

Profit for the period

As a result of the aforementioned changes, the Group's profit for the year ended 31 December 2013 increased from RMB254.9 million for the previous year to RMB308.4 million, representing an increase of RMB53.5 million, or 21.0%.

Profit attributable to equity owners of the Company

For the year ended 31 December 2013, profit attributable to equity owners of the Company was RMB300.4 million, representing an increase of RMB52.7 million from that of RMB247.7 million for the previous year.

Property, plant and equipment

As at 31 December 2013, property, plant and equipment was RMB372.7 million, representing an increase of RMB95.2 million, or 34.3%, from RMB277.5 million as at 31 December 2012. This was mainly due to the purchases of equipment to meet the business expansion.

Inventories

As at 31 December 2013, inventories was RMB484.9 million, representing an increase of RMB169.6 million, or 53.8%, from RMB315.3 million as at 31 December 2012. The increase was mainly because the Group purchased more inventories to meet the business expansion.

Trade and notes receivables and trade payables

As at 31 December 2013, trade and notes receivables was RMB1,255.8 million, representing an increase of RMB212.5 million, or 20.4%, from RMB1,043.3 million as at 31 December 2012. The increase was due to the increase of revenue.

As at 31 December 2013, trade payables was RMB683.7 million, representing an increase of RMB353.3 million, or 107.0%, from RMB330.4 million as at 31 December 2012. The increase was mainly because the Group prepared for more inventories and purchased more equipments for the business expansion.

Liquidity and capital resources

As at 31 December 2013, the Group's cash and bank deposits, comprising cash and cash equivalents and restricted bank deposits, were RMB660.8 million, representing a decrease of RMB11.7 million, from RMB672.5 million as at 31 December 2012.

As at 31 December 2013, the Group's short-term borrowings and current portion of long-term borrowings were RMB190.0 million, while the long-term borrowings was RMB84.8 million. As at 31 December 2012, the Group's short-term bank borrowings and the current portion of long-term bank borrowings were RMB196.8 million, while long-term borrowings were RMB125.7 million.

As at 31 December 2013, the Group's gearing ratio was 15.0%, representing a decrease of 24.2% as compared with 19.8% as at 31 December 2012. Gearing ratio was 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 31 December 2013, equity attributable to the equity owners of the Group was RMB1,784.1 million, representing an increase of RMB202.5 million, or 12.8%, as compared with RMB1,581.6 million as at 31 December 2012.

Cash flows from operating activities

For the year ended 31 December 2013, the Group's net cash generated from operating activities was RMB253.4 million, representing an increase of approximately RMB311.3 million as compared with the net cash used of RMB57.9 million in the previous year. The substantial improvement reflected the fact that the Group strengthened its cash management.

Cash flows from investing activities and financing activities

For the year ended 31 December 2013, the Group's net cash used in investing activities was RMB154.9 million, mainly including purchases of property, plant and equipment amounting to RMB134.1 million and intangible assets amounting to RMB28.1 million.

For the year ended 31 December 2013, the Group's net cash used in financing activities was RMB116.1 million, mainly resulting from the net decrease of borrowings of RMB49.0 million and payments of dividends to shareholders of RMB61.2 million.

Foreign exchange risk

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

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

Devaluation of KZT after the balance sheet date

On 11 February 2014, Kazakhstan government announced, with effect from the same day, exchange rate of KZT to USD was devalued to KZT185 for USD1 ("Devalued Exchange Rate of KZT to USD"). As compared with the closing rate of KZT153.6 for USD1 on 31 December 2013, exchange rate of KZT to USD was devalued by approximately 20.4%. In addition, as the closing rate of USD to RMB changed from USD1 for RMB6.0969 on 31 December 2013 to USD1 for RMB6.1069 on 11 February 2014, exchange rate of KZT to RMB was devalued by 20.2% from KZT 25.19 for RMB1 to KZT30.29 for RMB1 ("Devalued Exchange Rate of KZT to RMB"). The calculation of exchange rate of KZT to RMB was used to translate Kazakhstan subsidiaries' financial statements from KZT to RMB when preparing the Group's consolidated financial statements. For presentation purpose, Tenge's devaluation against USD and RMB are collectively referred to as "Devaluation".

Assuming the exchange rate of KZT to USD and RMB during 2014 remains stable with all other variables held constant, the impact of the Devaluation on the Group's consolidated financial statements of 2014 will be reflected from the following aspects:

The USD-denominated assets and liabilities of the Kazakhstan subsidiaries arising from transactions before the Devaluation will be adjusted using the Devalued Exchange Rate of KZT to USD. The adjustments to such assets and liabilities will be (credited)/charged to Kazakhstan subsidiaries' income statements and ultimately reflected in the Group's consolidated income statement.

When preparing the Group's consolidated income statement, the Kazakhstan subsidiaries' revenue will be translated into RMB using the exchange rate when the revenue is recognised. Hence, revenue arising from KZT-denominated sale or service contracts which have been entered into but yet to complete before the Devaluation may decrease due to the translation using Devalued Exchange Rate of KZT to RMB, should the Company fails to re-negotiate contract-price with related customers to eliminate the Devaluation impact. This will lead to a decrease of the Group's consolidated net profit. However, as most of the costs and expenses of the Kazakhstan subsidiaries are also denominated in KZT and these costs and expenses will decrease as well in the same manner, the negative impact on the Group's consolidated net profit will be partially eliminated.

In addition, all the assets and liabilities denominated in KZT will also be translated into RMB using Devalued Exchange Rate of KZT to RMB and the resulting translation differences are recognised as "Equity – currency translated differences" account when preparing the Group's consolidated balance sheet.

Capital Structure

The capital of the Company comprises only ordinary shares. As at 31 December 2013, the total number of ordinary shares of the Company in issue was 1,530,391,333 shares (31 December 2012: 1,525,000,000 shares). Total equity attributable to owners of the Company amounted to RMB1,784,060,000 (31 December 2012: RMB1,581,647,000).

Significant investment held

As at 31 December 2013, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the year ended 31 December 2013, the Group did not have material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 31 December 2013, the Group pledged parts of its property, plant and equipment, long-term prepayments and trade and note receivables to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 31 December 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Property, plant and equipment	**2,643**	3,467
Long-term prepayments	**16,712**	17,844
Trade and note receivables	**22,000**	250,593
Land use right	**–**	23,689
Restricted bank deposits	**–**	12,000

Convertible bonds

For the reporting year, the movement in convertible bonds which were recognised partially as equity and partially as long-term borrowings is as follow:

Face value of convertible bonds issued on

	RMB'000
Initial recognition date	94,526
Less: Equity component	(32,370)
Liability component on initial recognition date	62,156

	2012 *RMB'000*
Liability component on initial recognition date	62,156
Add: Interest expense in 2012	4,131
Less: Interest paid and payable	(1,038)

	2013
	RMB'000
Liability component as at 31 December 2012	**65,249**
Add: Interest expense in 2013	**12,096**
Less: Interest paid and payable	**(2,744)**
Less: Exchange difference	**(2,145)**
Liability component as at 31 December 2013	**72,456**

Contingent liabilities

As at 31 December 2013, the Group did not have material contingent liabilities.

Off balance sheet arrangement

As at 31 December 2013, the Group did not have off balance sheet arrangements.

Contractual obligations

Our contractual commitment mainly included the capital expenditure commitments and repayments under operating lease commitments. As at 31 December 2013, the capital expenditure commitments were mainly acquisition of property, plant and equipment with amounting to RMB5.6 million, while the operating lease commitments were mainly lease of offices, warehouses and equipments amounting to RMB443.0 million.

BUSINESS REVIEW

In 2013, SPT Energy Group Inc. (the "Company", together with its subsidiaries, collectively the "Group") recognised revenue of RMB2,402.8 million and net profits of RMB308.4 million, representing an increase of 31.9% and 21.0%, respectively from the previous year. Excluding the one-off expenses arising from the share options, the profit after tax grew by 30.5% yoy.

During the Reporting Year, the Group continued to focus on providing technical services to meet the needs of our clients. Against the backdrop of fast changing competitive landscape – the turnkey contract model and the beginning of the large scale shale gas development, the Group continuously optimised and reallocated its internal resources to enhance its integrated capabilities and gas operational abilities. With its continuous efforts, considerable progresses were made. During the Reporting Year, the Group continued to maintain fast growth in its businesses. As to the overseas market, the Group recognised revenue of RMB1,365.9 million, accounting for 56.8% of the total revenue of the Group and representing an increase of 32.6% from the previous year. As to the domestic market, the Group recognised revenue of RMB1,036.9 million, accounting for 43.2% of the total revenue of the Group and representing an increase of 31% from the previous year.

Integrated operation is the future mainstream project model for the exploration and development of oil and gas fields, particularly the development of unconventional oil and gas. Meanwhile, the more demanding requirements are imposed on the service companies in terms of their completeness of business operation provided, technological sophistication and communication as well as coordination skills. After years of experience, SPT Energy Group has possessed most of the abovementioned abilities. In March 2013, the Group won a bid for the drilling and well completion turnkey project in Tarim Oilfield. The well in the project is a ultra-deep 6,855m, ultra-high pressure and ultra-high temperature well. At the same time, the two newly acquired drilling rigs with 5,000m depth capacity have started their operation in Ordos Basin. During the year, the Group has successful completed several integrated drilling projects for a total of five wells, two of which are horizontal wells and three of which are vertical wells.

Given that the natural gas business will enter its fast growth era, the Group stepped up its expansion in this area and made considerable progress. On 9 April 2013, Turkmenistan Amu Darya Natural Gas Company (土庫曼斯坦阿姆河天燃氣公司) and SPT Energy Group. entered into a long-term strategic cooperation framework agreement. Amu Darya Natural Gas Company is the largest natural gas exploration and development cooperation project engaged by CNPC, and also one of the fastest-growing international petroleum and natural gas companies. Having leveraged on the comprehensive integrated services capabilities, and the management expertise, we can effectively organise, coordinate and implement a highly integrated technologically engineering operations so as to achieve strategic objective of oilfield exploration and development more effectively.

As to shale gas market, the Group has continually accumulated experiences, built track records and now the Group is well prepared for the full scale shale development. Firstly, the Group continued to provide high-quality drilling fluid technical services for the shale gas wells in Changning, Sichuan. Meanwhile, the Group has closely monitored and actively followed up any possible shale gas projects, and has entered into a series of cooperation framework agreements with some potential shale gas developers. Secondly, the Group has set up the Institute of Geology Engineering Technology (地質工程技術院) and the Unconventional Gas Project Department (非常氣項目部) to prepare for the Group's operation of unconventional gas business. Thirdly, some substantial progresses were made in the areas of R&D and manufacturing. With respect to the two core technologies of unconventional gas well construction, i.e. the directional drilling technology and multi-stage well completion technology, SPT has successfully researched and manufactured the MWD tools and oil swellable packer. These two breakthroughs have further enhanced the Group's comprehensive abilities in large-scale development of shale gas.

REVENUE ANALYSIS

For the year ended 31 December 2013, the analysis of the Group's revenue by business segment is as follows:

	2013	2012	Growth Rate
	RMB'000	*RMB'000*	
Drilling	**953,778**	658,850	44.8%
Well completion	**649,730**	531,502	22.2%
Reservoir	**799,259**	631,309	26.6%
Total	**2,402,767**	1,821,661	31.9%

In 2013, the three business segments of the Group, drilling, well completion and reservoir, have maintained steady growth as compared with the previous year. Among others, the drilling segment realised the highest growth as compared with the previous year and recognised a revenue of RMB953.8 million, accounting for 39.7% of the total revenue of the Group.

Reservoir Services Segment

Revenue	**2013** ***RMB'000***	2012 *RMB'000*	Growth Rate
PRC	**298,652**	127,341	134.5%
Overseas	**500,607**	503,968	(0.7%)
Total	**799,259**	631,309	26.6%

For the year ended 31 December 2013, the reservoir services segment recognised revenue of RMB799.3 million, representing an increase of 26.6% from the previous year. The overseas Companies recognised a revenue of RMB500.6 million, representing a decrease of 0.7% from the previous year, whilst the domestic market contributed revenue of RMB298.7 million, representing an increase of 134.5% from the previous year.

Our reservoir operations focus on geological data gathering and evaluating in order to gain a deep, and hopefully, an accurate understanding of our clients' oil and gas reserves. Our ultimate objective is to help our clients formulate the most effective plans for exploration, development and production. Now after 20 years' evolution, our reservoir team has become the best team among Chinese independent services providers. Our business coverage includes reservoir research, dynamic monitoring, oil testing services, oil recovery technology as well as the operation and maintenance services for on ground production devices.

Our reservoir team has achieved the following:

First of all, we have successfully penetrated into the Middle East market. The Group won the bid for a three-year dynamic monitoring contract with respect to Iraq AL-waha Petroleum Company in February 2013 and commenced on-site service in the same year. This marked the Group's significant strategic breakthrough in the Middle East and facilitated the Group to expand to other areas in the region.

Secondly, SPT has reinforced its position in Turkmenistan. After forming the pipeline gas sealing and testing operation team in 2012, we have completed the gas sealing and testing operation for ten wells. In November 2013, the Group won the bid for a two-year tube gas sealing and testing services contract from Turkmenistan Amu Darya Natural Gas Company. Meanwhile, the Group successfully provided profile control and water shutoff technical services for five wells in Karazhanbac Oilfield (卡拉贊巴斯油田) in Kazakhstan, which effectively reduced the water content and increased the oil production (降水增油) by 4,100 tonnes on an accumulated basis for the year. This has not only helped the Company earn the market recognition, but also generate good investment returns to the clients.

Thirdly, in order to further enhance our leading position in reservoir research and operations, we have consolidated our internal resources by recruiting some industry heavy-weight specialists. This newly established Institutes of Geology Engineering Technology will enable us to provide our clients with more extensive and more sophisticated services as well as to enhance our leading position among the Chinese independent service providers for many years to come.

Well Completion Services Segment

Revenue	**2013**	2012	Growth Rate
	RMB'000	*RMB'000*	
PRC	**191,657**	350,466	(45.3%)
Overseas	**458,074**	181,036	153.0%
Total	**649,731**	531,502	22.2%

For the year ended 31 December 2013, the well completion services segment recognised revenue of RMB649.7 million, representing an increase of 22.2% from the previous year. The overseas market recognised revenue of RMB458.1 million, representing an increase of 153.0%, while the domestic market recognised a revenue of RMB191.7 million, representing a decrease of 45.3%. Considering the revenue recognized in Singapore company amounting to RMB232 million for which the relevant services were provided by the Singapore company to China customers, the actual revenue generated in China market increased by 11% while revenue generated in overseas market increased by 51%.

We have commenced our well completion operations since 2002 and has been one of the pioneers in this field, especially for high-end gas well work. We believe we are a truly integrated well completion service provider. The service operations we have provided included, but not limited to, project design, tools selections and procurements, perforation, multi-stage fracturing, ancillary materials and on-site constructions.

During the Reporting Year, the Group continued to remain its leading position in the high-end gas well completion services market. In August 2013, the Group won the bid for the service contract relating to 35 sets high-end well completion tools of Amu Darya natural gas company in Turkmenistan. The new project is located at Yaxi Jiepei gas field (亞西杰佩氣田) of Nabataean (納巴特) in Lebap Province (巴普州), Turkmenistan, which is the major gas source for West-East Gas Pipeline projects. In August, the Group won another bid for the contract relating to 38 sets high-end well completion tools at Longwangmiao block, Moxi segment, Anyue Gas Field in Sichuan. The project is close to Suining in the central Sichuan Basin with proven reserves of over 400 billion cubic meters, which is by far the single largest marine carbonate gas reservoir discovered in China. The gas field is also a key project of natural gas production and development in Sichuan in the future. Both Amu Darya Gas Field and Anyue Gas Field are characterised by ultra-high temperature, ultra-high pressure and ultra-deep depth. These two projects demanded the service provider not only for its integrated service capacities but also its perfect track records. The successful winning of these two bids further demonstrated the Group's leading position in providing services to natural gas well with critical conditions and laid a solid foundation for further expansion of related businesses in these two regions in the future.

In order to enhance the Group's integrated services capabilities in well stimulation, the Group purchased a set of fracturing equipment in September 2013 with a pumping capacity of 8,000 water horsepower. The equipment is mainly used in Kazakhstan where we have developed this kind of business for 3 years. Currently, the equipment has been delivered to the oilfield in Kazakhstan and put into operation.

Drilling Segment

Revenue	**2013**	2012	Growth Rate
	RMB'000	*RMB'000*	
PRC	**546,586**	313,630	74.3%
Overseas	**407,192**	345,220	18.0%
Total	**953,778**	658,850	44.8%

For the year ended 31 December 2013, the drilling service segment recognised revenue of RMB953.8 million, representing an increase of 44.8% from the previous year. The overseas market contributed a revenue of RMB407.2 million, representing an increase of 18.0% from the previous year, whilst the domestic market recognised revenue of RMB546.6 million, representing an increase of 74.3% from the previous year.

We are one of the most sophisticated independent drilling technology providers in China. In the past 8 years, we have kept innovating and experimenting to add service operations into our existing capacity. Now we can provide integrated drilling services covering drilling rig, vertical drilling, horizontal drilling, side tracking, under balance drilling, drilling fluid, cementing and fine managed pressure drilling (FMPD) technique.

Going forward, the Group expects increasing demand for integrated drilling service. In March 2013, the Group won the bid for an integrated drilling contract in Tarim Oilfield. The well has a designed depth of 6,855m, a wellhead pressure of 97MPa and a bottom hole with temperature of 165 degrees Celsius. It is a world-class, ultra-high pressure and ultra-high temperature well. In the same year, in order to reinforce the Group's strength in drilling turnkey operations within China, the Group purchased two sets of 5,000m drilling rigs for such services. The rigs were delivered in May 2013 and commenced operation in Erdos basin in China. During the year, the drilling turnkey operation of three vertical wells and two horizontal wells was successfully completed and the quality of services was well received by the clients. Of which, a horizontal well completed has a drilling depth of 5,628m with a horizontal section length of 2,303m, setting a record in that area. Securing and completing the above-mentioned two turnkeys projects has indisputably demonstrated SPT's leadership in providing integrated services among Chinese independent services providers.

Due to the increasing social awareness on environment protection, formulating and implementing an environmentally friendly service operation has become one of the top items on our clients' agenda. We established our waste treatment team 3 years ago. In October 2013, the Group's drilling waste management technology had a field trial at the solid waste yard of Tarim Oilfield. The waste after treatment are in compliance with the GB 8978 "Integrated Sewage Discharge Standard" (污水綜合排放標準) which has also passed our clients' technology review. In the same year, the Group also provided biodegradable oil-based mud drill cuttings for our clients' oil fields in Sichuan and Bohai. The Group gained high recognition from its clients for its high standard of technology design and comprehensive technical services.

Market Environment

Looking forward, we are bullish about the year of 2014. China's oil and gas market will be liberalised and the large-scale shale operations will be kicked off. Under the guidance of the Third Plenary Session of 18th Central Committee of the Chinese Communist party, the top managements of our oil majors have expressed their plans to invite non-state-owned investments to participate in China's oil & gas exploration and development. At present, oil & gas market and oil field service market are respectively 100% and 85% monopolized by SOEs. Market liberalisation and democratization means much more market access for the independent companies and the more market-oriented mechanism will be introduced to the market, implying more transparent, fair and open competitive environment which will be quite favorable and which were otherwise not available to independent companies. As the reform unfolds, the Group believes that we shall be able to expand our business in relatively fast pace and in a much more fair terms to secure much more market opportunities.

The shale gas story should sound attracting. China needs the cleaner energy and is one of the largest energy consumption countries. A few years ago, Chinese government decided to tap its huge shale gas reserves to meet its needs for consumption and economic growth. In 2011, the Chinese government built a legal platform for shale development by reclassifying shale gas as an independent energy source, meaning it is not monopolized by Chinese oil majors. At about the same time, NDRC set a national shale production target of 6.5 bcm by 2015. A little while later, the China Ministry of Land and Resources organized two rounds of shale auctions and the third one will start very soon. The most important development has been that both Sinopec and CNPC, our two major clients, also the major shale players, released some very encouraging data about their pilot gas field production in Sichuan last November. The two major shale players expressed their confidence to build their shale gas production capacity of more than 7.5 bcm by the end of 2015. Meanwhile, they also published their shale gas work plan which includes drilling altogether 200 shale gas wells in 2014 and 2015. Simply put, China is almost ready to launch its full scale shale operation and undoubtedly SPT will be one of the few independent service providers which will benefit from this shale development for many years to come.

R&D AND MANUFACTURING

We always attach the great importance to R&D. Over the years, the Group has been focusing its efforts in the research and development of the tools required for oilfield on-site services and products. In 2013, with respect to the key technology for the exploration of natural gas, especially unconventional gas – horizontal drilling and fracturing, the Group successfully developed a directional drilling tool, MWD and a horizontal well multi-stage fracturing tool – oil swellable packer. These two products have successfully passed all the laboratory tests and on-site inspections has been satisfied, and satisfied the requirements for commercial production. The performance of the tools and the technology standards of these products has been above the industry standards.

In early 2013, the First Service and Innovation Technology Exchange Conference and Awards Presentation Ceremony were held by the Group at which 29 applications for technical services and innovation achievements were made by various departments, regional offices and the subsidiaries of the Group. The achievements cover the high and new technologies in oilfield exploration and development, including drilling, logging, well completion, oil recovery, well simulation, workover and reservoir studies. The experts comprising the Technology Committee of the Group carefully reviewed these achievements in four rounds, and elected 23 wining projects according to the level of innovation, contribution to the operating efficiency of the Company and market development thereafter, three silver medal, five bronze, 15 memorable prize were issued to 135 employees.

HUMAN RESOURCES

To ensure the sustainability and rapid development of the Group in 2013, the Group continued to adhere to strengthening the development of its technologies and services capacity of various business segments, optimising the organisational structure, strengthening personnel training and development and continuing to recruit various talents for the Group.

Due to the rapid growth of its businesses at home and abroad, the number of staff has grown steadily. Domestically, the Group continued to provide training and recruit talent people with certain expertise in oilfield business, and particularly, to expand the talent pool for unconventional oil and gas business. At the same time, as to overseas operations, the Group continued to implement its localisation strategy to strengthen the training of local core personnel and optimise the regional talent structure.

In terms of remuneration policies and employee incentives, by adhering to the principle of attracting and retaining core employees in key positions, the Group continued to implement the share option scheme in 2013 and granted a total of 59.09 million share options to 115 core employees (excluding directors). To facilitate and cater for the needs of the speedy business development, the Group will further improve its employee remuneration management system, optimise the remuneration structure and standards and strengthen the incentive system for the frontline production workers. At the same time, to cater for the needs of international business expansion, the Group will continue to standardise and improve the policies of remuneration and benefits for the staff in different countries or regions.

In 2013, the Group conducted its training in adherence to the principle of "Internal Training Based on Business Needs and Sharing of Benefits with Customers through External Platform" (內部培養人才契合業務需求，外部設立平台分享惠及客戶). As to our internal staff, we continued our cooperation with Wilson Learning Skills Consultant, a US based company in 2013 and conducted training sessions to enhance sales skills of internal staff. Meanwhile, with respect to professional technology, we arranged our core technical staff to receive training on different service product line. As to our external customers, a shale gas advanced technology and management training seminar was held jointly with American Gas Research Institute and China University of Geosciences in June 2013 at which 35 industry renowned senior expert lecturers within and outside the Company were invited to deliver speeches on the successful operational experience and technology implementation of overseas shale gas development. The project received high recognition and support from the relevant government departments.

In terms of team building, to cope with the market needs of the oilfield integrated business development and to satisfy the needs of integrated business development, the Group formed an integrated project management team with professional management skills through internal training and various external channels, and played a key role in the development of the projects commenced during the year. At the same time, to build its core competitiveness, the Group further strengthened its R&D and human resources management. Through R&D system organisational development and R&D team building, the Group further optimised the R&D system organisational structure, and actively introduced and nurtured R&D and technology talents, which consolidated the foundation of organisation and talent pool for the Group's technology and product R&D development.

OUR PLANS

The Group is optimistic about the potential growth of natural gas, in particular the shale gas. Looking ahead, we will continue our efforts in this segment. Meanwhile, we keep an eye on the changes triggered by the reform in the oil and gas industry. To better execute our stated strategies to achieve the long-term objectives of the Company, the Group will focus on the following aspects.

1. Continue to improve the strategic deployment of conventional gas and shale gas; accelerate technology research and development; further strengthen the expansion into markets of huge potentials; fully leverage on our own technology strengths to strengthen the cooperation with strategic partners with a view to laying a solid foundation for market expansion in the future.

2. Capture the unprecedented opportunities arising from the reform of the oil and gas industry; be fully prepared in various aspects such as organisation, personnel, equipment and technology, particularly capitalising on our technology strengths in the area of geology reservoir evaluation to achieve a better position in the market; and ensure the Group can benefit from the reform.

3. Accelerate the pace of technology innovation; improve the internal control system of the company; enhance the risk management standards of the Company; achieve refined and standardised internal operational management.

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HKD0.064 (equivalent to RMB0.05) per share for the year ended 31 December 2013 (2012: HKD0.049) to the shareholders of the Company. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting and expected to be paid out of share premium account before the end of July 2014.

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 Thursday, 5 June 2014, the register of members of the Company will be closed from Tuesday, 3 June 2014 to Thursday, 5 June 2014 (both dates inclusive). All transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 May 2014.

In order to determine the entitlement to the final dividend, the register of members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014 (both days inclusive). All transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai,Hong Kong for registration no later than 4:30 p.m. on Thursday, 12 June 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules") as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the Board and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Board currently comprises three executive directors (including Mr. Wang Guoqiang), two non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition. Save as disclosed herein, the Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2012. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the directors and each of the directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2013 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and on the websites of the Company (www.spt.cn), and the 2013 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, 26 March 2014

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

* *for identification purpose only*