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 2024

INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2024, the Group's revenue was RMB769.3 million, representing a decrease of RMB73.8 million, or 8.8%, from RMB843.1 million for the same period of the previous year.

The loss attributable to owners of the Company for the six months ended 30 June 2024 was RMB62.7 million, representing a decrease of RMB72.0 million from a profit of RMB9.3 million for the same period of the previous year.

No interim dividend for the six months ended 30 June 2024 was proposed to be paid to the shareholders of the Company by the Board (for the six months ended 30 June 2023: nil).

The board (the "**Board**") of directors (the "**Directors**") of SPT Energy Group Inc. (the "**Company**") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Period**"), together with the comparative figures for the same period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2024 *RMB'000* Unaudited	31 December 2023 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**400,552**	407,048
Right-of-use assets		**47,309**	55,754
Intangible assets		**14,039**	14,561
Investments in an associate		**2,083**	1,921
Investments in a joint venture		**1,164**	235
Deferred income tax assets		**117,541**	115,399
Financial assets at FVOCI		**9,378**	7,287
Other non-current assets		**16,145**	16,145
Prepayments and other receivables	*7*	**22,553**	33,504
		630,764	651,854
Current assets			
Inventories		**607,101**	656,583
Contract assets		**10,950**	21,966
Trade and note receivables	*6*	**858,759**	1,016,402
Prepayments and other receivables	*7*	**257,830**	238,812
Restricted bank deposits		**33,566**	22,410
Cash and cash equivalents		**224,150**	303,180
		1,992,356	2,259,353
Total assets		**2,623,120**	2,911,207
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*8*	**1,247**	1,247
Share premium		**869,853**	869,853
Other reserves		**361,111**	351,401
Currency translation differences		**(509,656)**	(501,629)
Retained earnings		**513,003**	579,236
		1,235,558	1,300,108
Non-controlling interests		**(17,038)**	(14,868)
Total equity		**1,218,520**	1,285,240

	Notes	**30 June 2024** ***RMB'000*** **Unaudited**	31 December 2023 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**93,942**	77,206
Non-current lease liabilities		**11,452**	13,292
Deferred income tax liabilities		**25,171**	26,252
		130,565	116,750
Current liabilities			
Borrowings		**411,823**	355,303
Current portion of long-term borrowings		**113,207**	60,907
Contract liabilities		**51,980**	44,190
Trade and note payables	*9*	**497,652**	777,453
Accruals and other payables	*10*	**143,446**	205,281
Current income tax liabilities		**50,542**	55,154
Current portion of lease liabilities		**5,385**	10,929
		1,274,035	1,509,217
Total liabilities		**1,404,600**	1,625,967
Total equity and liabilities		**2,623,120**	2,911,207

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
Revenue	5	**769,297**	843,059
Other gains, net		**655**	1,652
Operating costs			
Material costs		**(179,864)**	(234,879)
Employee benefit expenses		**(302,719)**	(280,605)
Short-term and low-value lease expenses		**(53,132)**	(46,236)
Transportation costs		**(12,573)**	(12,268)
Depreciation and amortisation		**(26,855)**	(31,481)
Technical service expenses		**(121,741)**	(123,957)
Net impairment losses of financial and contract assets		**(30,925)**	(14,987)
Impairment losses of inventories		**(8,599)**	(1,460)
Others		**(84,995)**	(70,772)
		(821,403)	(816,645)
Operating (loss)/profit		**(51,451)**	28,066
Finance income		**931**	177
Finance costs		**(19,301)**	(15,854)
Finance costs, net	11	**(18,370)**	(15,677)
Share of net profit of an associate and a joint venture accounted for using the equity method		**1,087**	117
(Loss)/profit before income tax		**(68,734)**	12,506
Income tax expense	12	**3,713**	(5,694)
(Loss)/profit from continuing operations		**(65,021)**	6,812
(Loss)/profit for the interim period		**(65,021)**	6,812
(Loss)/profit is attributable to:			
Owners of the Company		**(62,741)**	9,341
Non-controlling interests		**(2,280)**	(2,529)
		(65,021)	6,812
Earnings per share for the profit from continuing operations attributable to the owners of the Company			
Basic and diluted earnings per share (RMB)	14	**(0.0321)**	0.0049

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
(Loss)/profit for the interim period		**(65,021)**	6,812
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(12,959)**	8,181
Items that will not be reclassified to profit or loss:			
Currency translation differences		**5,042**	30,090
Changes in fair value of equity investments at FVOCI		**2,091**	(628)
Total comprehensive income for the interim period		**(70,847)**	44,455
Total comprehensive income for the interim period attributable to:			
Owners of the Company		**(68,677)**	48,166
Non-controlling interests		**(2,170)**	(3,711)
		(70,847)	44,455
Total comprehensive income for the interim period attributable to the owners of the Company arises from:			
Continuing operations		**(68,677)**	48,166

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**Unaudited**	Unaudited
Cash flows from operating activities			
Cash used in operations		**(149,911)**	(57,902)
Income tax paid		**(6,503)**	(5,652)
Net cash used in operating activities		**(156,414)**	(63,554)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(15,071)**	(11,457)
Increase in restricted bank deposits		**(11,156)**	(4,212)
Interest received		**931**	90
Proceeds from disposal of property, plant and equipment		**1,272**	76
Net cash used in investing activities		**(24,024)**	(15,503)
Cash flows from financing activities			
Proceeds from borrowings		**420,600**	418,112
Repayments of borrowings		**(296,597)**	(453,147)
Proceeds from issues of new shares		**–**	21,896
Interest paid		**(13,850)**	(14,115)
Payment of lease liabilities (principal)		**(2,182)**	(9,056)
Payments of financing fee and deposits		**(5,781)**	(5,996)
Net cash generated from/(used in) financing activities		**102,190**	(42,306)
Net decrease in cash and cash equivalents		**(78,248)**	(121,363)
Cash and cash equivalents at beginning of the interim period		**303,180**	277,536
Effects of exchange rate changes on cash and cash equivalents		**(782)**	5,826
Cash and cash equivalents at end of the interim period		**224,150**	161,999

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are an international comprehensive energy company principally engaged in oilfield exploration and development, oil-field services and new energy business in the People's Republic of China (the "PRC") and overseas. The Group are committed to providing comprehensive solutions for the exploration and development of conventional and unconventional energy sources such as oil and natural gas, and providing technical research and engineering services in the entire industry chain of carbon sequestration, utilization, and storage. The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (吳東方) (collectively referred to as the "Controlling Shareholders").

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

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards ("IFRS Accounting Standards"), and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2023 except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

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

- Amendments to IAS 1 — Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 — Non-current Liabilities with Covenants
- Amendments to IFRS 16 — Lease Liability in Sale and Leaseback
- Amendments to IAS 7and IFRS 7 — Supplier Finance Arrangements

Certain new standard and amendments to standards have been published that are not mandatory for 30 June 2024 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 9 and IFRS 7	Classification and measurement of financial instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires the use of accounting estimates which, by definition, may differ from the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In preparing this interim condensed consolidated financial information, the significant judgements and the sources of estimation of uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

5. SEGMENT INFORMATION

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

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

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

(a) Revenue

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Drilling	**225,850**	239,147
Well completion	**107,360**	192,897
Reservoir	**370,807**	324,718
Others*	**65,280**	86,297
	769,297	843,059

* Others include the sales of gas for the six months ended 30 June 2024 (for the six months ended 30 June 2023: gas and alcohol).

The revenue from external customers 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").

(b) Segment information

The segment information for the six months ended 30 June 2024 and 2023 are as follows:

	Drilling	**Well completion**	**Reservoir**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Six months ended 30 June 2024 (Unaudited)					
Revenue from external customers	**225,850**	**107,360**	**370,807**	**65,280**	**769,297**
Time of revenue recognition					
– At a point in time	**2,026**	**52,890**	**32,304**	**65,280**	**152,500**
– Over time	**223,824**	**54,470**	**338,503**	**–**	**616,797**
EBITDA	**9,457**	**3,889**	**32,112**	**4,559**	**50,017**

	Drilling	Well completion	Reservoir	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2023 (Unaudited)					
Revenue from external customers	239,147	192,897	324,718	86,297	843,059
Time of revenue recognition					
– At a point in time	3,842	116,686	25,514	86,297	232,339
– Over time	235,305	76,211	299,204	–	610,720
EBITDA	24,250	35,609	70,148	6,220	136,227

The segment information on total assets as at 30 June 2024 and 31 December 2023 are as follows:

	Drilling *RMB'000*	**Well completion** *RMB'000*	**Reservoir** *RMB'000*	**Others*** *RMB'000*	**Total** *RMB'000*
As at 30 June 2024 (Unaudited)					
Segment assets	**660,349**	**753,168**	**532,860**	**56,233**	**2,002,610**
Unallocated assets					**620,510**
Total assets					**2,623,120**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**3,975**	**415**	**3,560**	**6,289**	**14,239**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others* *RMB'000*	Total *RMB'000*
As at 31 December 2023 (Audited)					
Segment assets	728,478	847,157	620,340	48,682	2,244,657
Unallocated assets					666,550
Total assets					2,911,207
Additions to non-current assets (other than financial instruments and deferred income tax assets)	15,646	8,858	10,943	49,330	84,777

* Others included the assets of Hotan Juli Gas Engineering Co. Ltd ("HTJL") and PT CIPTA NIAGA GEMILANG ("CNG"). HTJL is a subsidiary principally engaging in gas selling; CNG is a subsidiary principally engaging in oil and gas exploration and development. There was no revenue recognised for CNG during the first half year of 2024 and 2023 since it was in the exploration stage.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
EBITDA for reportable segments	**50,017**	136,227
Unallocated expenses		
– Share-based payments	**(4,127)**	(2,683)
– Other gains, net	**655**	1,652
– Unallocated overhead expenses	**(70,054)**	(75,532)
	(73,526)	(76,563)
	(23,509)	59,664
Depreciation and amortisation	**(26,855)**	(31,481)
Finance income *(Note 11)*	**931**	177
Finance costs *(Note 11)*	**(19,301)**	(15,854)
(Loss)/Profit before income tax	**(68,734)**	12,506

(c) Geographical segment

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
PRC	**474,495**	493,630
Kazakhstan	**141,378**	166,432
Others	**153,424**	182,997
	769,297	843,059

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

	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current assets		
PRC	**245,060**	301,510
Kazakhstan	**34,955**	34,856
Others	**220,583**	190,646
	500,598	527,012

6. TRADE AND NOTE RECEIVABLES

	30 June 2024 *RMB'000* **Unaudited**	31 December 2023 *RMB'000* Audited
Trade receivables	**1,034,216**	1,131,211
Less: loss allowance	**(205,382)**	(174,257)
Trade receivables-net	**828,834**	956,954
Notes receivable	**29,974**	59,518
Less: loss allowance	**(49)**	(70)
Notes receivable-net	**29,925**	59,448
	858,759	1,016,402

(a) The ageing analysis of the trade and note receivables based on invoice date is as follows:

	30 June 2024 *RMB'000* **Unaudited**	31 December 2023 *RMB'000* Audited
Up to 6 months	**531,007**	761,148
6 months – 1 year	**200,852**	93,490
1 – 2 years	**88,182**	56,605
2 – 3 years	**64,817**	81,260
Over 3 years	**179,332**	198,226
Trade and note receivables, gross	**1,064,190**	1,190,729
Less: loss allowance	**(205,431)**	(174,327)
Trade and note receivables, net	**858,759**	1,016,402

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

7. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024 *RMB'000* **Unaudited**	31 December 2023 *RMB'000* Audited
Current		
Advances to suppliers	**86,385**	89,171
Prepayment for taxes	**72,881**	63,059
Less: loss allowance	**(3,576)**	(3,576)
Total non-financial assets	**155,690**	148,654
Deposits and other receivables (a)	**56,497**	56,543
Receivable from sales of property, plant and equipment	**38,346**	38,053
Loan to a related party (b)	**11,844**	–
Less: loss allowance	**(4,547)**	(4,438)
Total financial assets	**102,140**	90,158
	257,830	238,812
Non-current		
Deposits and other receivables	**11,952**	11,723
Loan to a related party (b)	**–**	11,448
Loan to a third party (c)	**10,690**	10,624
Less: loss allowance	**(89)**	(291)
Total financial assets	**22,553**	33,504
Total	**280,383**	272,316

Notes:

(a) The fair values of deposits and other receivables approximated their carrying values.

(b) The loan to a related party bears interest at a rate of 8% per annum and will mature in June 2025.

(c) The loan to a third party bears no interest and will mature in February 2026.

8. SHARE CAPITAL

	Number of shares *(Thousands)*
Authorised:	
Ordinary shares of USD0.0001 each as at 31 December 2023 and 30 June 2024	5,000,000

	Number of shares *(Thousands)*	Share capital *RMB'000*
Issued and fully paid:		
Ordinary shares of USD0.0001 each as at 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	1,953,776	1,247

9. TRADE AND NOTE PAYABLES

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

	30 June 2024 ***RMB'000*** **Unaudited**	31 December 2023 *RMB'000* Audited
Up to 6 months	**221,809**	562,231
6 months to 1 year	**121,568**	47,066
1 – 2 years	**53,328**	60,353
2 – 3 years	**23,105**	27,962
Over 3 years	**77,842**	79,841
	497,652	777,453

10. ACCRUALS AND OTHER PAYABLES

	30 June 2024 ***RMB'000*** **Unaudited**	31 December 2023 *RMB'000* Audited
Payroll and welfare payable	**60,698**	109,461
Taxes other than income taxes payable	**21,568**	26,998
Other payables – related parties	**14,872**	14,872
Other payables for purchase of property, plant and equipment	**3,863**	5,084
Other payables	**42,445**	48,866
	143,446	205,281

11. FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income from bank deposits	**931**	142
– Net foreign exchange gains on financing activities	**–**	35
Finance income	**931**	177
Interest expense:		
– Bank borrowings	**(13,430)**	(9,116)
– Interest paid for lease liabilities	**(754)**	(933)
– Other borrowings	**(1,520)**	(3,086)
Bank charges and others	**(3,530)**	(2,719)
Net foreign exchange loss on financing activities	**(67)**	–
Finance costs	**(19,301)**	(15,854)
Finance costs, net	**(18,370)**	(15,677)

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax	**1,891**	5,353
Deferred income tax	**(5,604)**	341
Income tax expense	**(3,713)**	5,694

During the six months ended 30 June 2024, the estimated income tax rates applicable to the Group entities (excluding group companies that are currently tax exempted) ranged from 5% to 30% (2023: 5% to 30%).

13. DIVIDEND

The Board of Directors did not propose a dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

14. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
(Loss)/profit attributable to owners of the Company (RMB'000)	**(62,741)**	9,341
Weighted average number of ordinary shares in issue (thousands)	**1,953,776**	1,892,665
Basic earnings per share (RMB per share)	**(0.0321)**	0.0049

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The share options in issue have not been included in the calculation of the diluted earnings per share, as the adjusted exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the six months ended 30 June 2024 and 2023, and the diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2024 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, with the moderate recovery of the world economy, economic and trade activities have been consolidated. Despite some uncertainties, most economies were able to avoid the stagflation's grip in the first half of the year thanks to a series of policies. The global economic recovery has been heading towards stability. The China's economic growth has maintained a leading position among the world's major economies, playing an important role in becoming the engine and anchor for global economic growth. Since 2024, the global oil and gas market have been facing challenges due to multiple factors such as economics, geopolitics and energy transition. Countries have attached more importance to energy security and actively promoted the development of the oil and gas industry. Capital expenditure on upstream exploration and development in the international oil and gas industry have increased in a sound manner, and the scale of the global oil-field service market has been expanded accordingly. In the first half of 2024, the international oil prices oscillated broadly around US$80/barrel. The upward trend in oil prices is expected to continue to stimulate the intention of oil and gas companies to maintain higher capital expenditure, thereby pushing forward the oil-field service industry to remain in the boom cycle. In order to meet the growing demand for diversified services in the global energy market, the breadth and depth of the oil-field service companies' business, diversity of the services and technology solutions, and systematic comprehensive service capabilities will be the key factors to maintain competitiveness. Diversified demands are driving the development of the oil-field service industry towards greater flexibility, innovation and adaptability, while challenges and struggles brought by market competition are continuously increasing.

During the Period, the Group recorded revenue of RMB769.3 million, representing a decrease of RMB73.8 million, or 8.8% from the same period of the previous year; and recorded net loss for the Period of RMB65.0 million, representing a decrease in profit of of RMB71.8 million as compared with the same period of the previous year. In terms of revenue by region, revenue from the PRC market amounted to RMB474.5 million, representing a decrease of RMB19.1 million, or 3.9% as compared with the same period of the previous year, and accounted for 61.7% of the total revenue. Revenue from the overseas markets amounted to RMB294.8 million, representing a decrease of RMB54.7 million, or 15.7% as compared with the same period of the previous year, and accounted for 38.3% of the total revenue.

In the first half of 2024, the Group witnessed a reduction in workload due to the impact of extreme weather in Kazakhstan, and made a provision for impairment of certain assets accordingly, which resulted in a significant decrease in revenue and profit for the Period. However, in the context of increasing challenges and difficulties in the external environment during the Period, the Group took the following specific measures to cope with the new changes faced by the oil-field service industry as well as the opportunities and challenges encountered in the process of strategic transformation, with a strong sense of confidence and determination to overcome the difficulties: firstly, the Group resolutely implemented the upgraded measures relating to "with one in lead and two in assistance" strategic layout, adhered to the oil-field service as its main business, enhanced profitability, seized market opportunities, speeded up the development of new energy business, and accelerated the exploration and development of oilfield in Indonesia. Secondly, in addition to technological innovation, research and development, and introduction, the Group also put value on the integration, upgrade and breakthrough in terms of existing technologies to form an industrial chain with technological advantages and promote the development of the Group's market and various businesses with the help of technological upgrading. Thirdly, the Group focused on the needs of customers, delved into regional markets and vigorously explored overseas and emerging markets. By constantly consolidating and deepening business cooperation among regional markets, and comprehensively propelling the expansion of emerging markets and low-carbon projects, the Group pressed the coordinated development of traditional businesses and new energy businesses. Fourthly, the Group strictly fulfilled its social responsibilities by strengthening its efforts in respect of the environmental, social and governance ("**ESG**") and sustainable development; fortified safety and environmental protection management, intensified risk control, and continuously enhanced the ability to resist risks and maintain sustainable development, deepened efforts to broaden sources of income while reducing expenditure, improved on quality and efficiency, and continued to improve management efficiency. With respect to human resources, based on the principle of performance being dignity, reinforcing capacity building and prioritizing promotion of young cadres, the Group adjusted personnel of its organizations and optimized the structure of talents.

Furthermore, the Group has been upholding prudent fiscal policies, maintained a stable financial structure and adhered to the asset-light operating strategy, which enabled the Group to maintain stronger risk resistance capabilities and enjoy more flexibility during the process of revolution of the industry and strategic adjustments made by the Company.

REVENUE ANALYSIS

During the Period, the Group recorded revenue of RMB769.3 million, representing a decrease of RMB73.8 million or 8.8% from the same period of the previous year. The analysis of the Group's revenue by business segments are as follows:

Revenue	Six months ended 30 June **2024** *RMB'000*	2023 *RMB'000*	Change *(%)*
Reservoir	**370,807**	324,718	14.2%
Drilling	**225,850**	239,147	(5.6%)
Well completion	**107,360**	192,897	(44.3%)
Others	**65,280**	86,297	(24.4%)
Total	**769,297**	843,059	(8.8%)

Revenue from reservoir segment amounted to RMB370.8 million, up by RMB46.1 million or 14.2% from the same period of the previous year, accounting for 48.1% of the total revenue. Revenue from drilling segment amounted to RMB225.9 million, representing a decrease of RMB13.3 million or 5.6% from the same period of the previous year, accounting for 29.4% of the total revenue. Revenue from well completion segment amounted to RMB107.4 million, representing a decrease of RMB85.5 million or 44.3% from the previous year, accounting for 14.0% of the total revenue. Revenue from other segments amounted to RMB65.3 million from last year, representing a decrease of RMB21.0 million or 24.4% from the same period of the previous year, accounting for 8.5% of the total revenue. In terms of proportions, the revenue from the reservoir segment accounts for a larger part of the total revenue, marking a significant increase compared to the revenue of the same period of the previous year. The revenue contributions from drilling, well completion and other segments decreased compared to the same period of the previous year.

RESERVOIR SERVICE SEGMENT

Revenue from reservoir segment	Six months ended 30 June **2024** *RMB'000*	2023 *RMB'000*	Change *(%)*
PRC	**244,085**	206,108	18.4%
Overseas	**126,722**	118,610	6.8%
Total	**370,807**	324,718	14.2%

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

During the Period, the Group's reservoir segment recorded revenue of RMB370.8 million, representing an increase of RMB46.1 million or 14.2% as compared to the same period of previous year. Revenue from reservoir segment in the PRC market amounted to RMB244.1 million, representing an increase of RMB38.0 million or 18.4% as compared to the same period of the previous year. The increase in domestic revenue was mainly due to the increase in services such as equipment maintenance and station operation in Xinjiang region. As for the overseas reservoir segment, it recorded revenue of RMB126.7 million, representing an increase of RMB8.1 million or 6.9% as compared to the same period of last year. During the Period, the main reason of the increase in revenue of overseas reservoirs was the full volume of dynamic monitoring and oil testing business in most operations in Middle East.

DRILLING SERVICES SEGMENT

	Six months ended 30 June		
Revenue from drilling segment	**2024**	2023	Change
	RMB'000	*RMB'000*	*(%)*
PRC	**113,746**	124,292	(8.5%)
Overseas	**112,104**	114,855	(2.4%)
Total	**225,850**	239,147	(5.6%)

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

During the Period, the Group's drilling segment recorded revenue of RMB225.9 million, representing a decrease of RMB13.3 million or 5.6% as compared to the same period of previous year. During the Period, revenue from drilling segment in the PRC market amounted to RMB113.7 million, representing a decrease of RMB10.5 million or 8.5% as compared to the same period of previous year. Such decrease in domestic revenue was mainly attributable to the decrease in the volume of well workover and salvage business in Xinjiang region. As for drilling segment in overseas market, it recorded revenue of RMB112.1 million, representing a decrease of RMB2.8 million or 2.4% as compared to the same period of previous year. The decrease was mainly due to the year-on-year decrease in the Aktobe region in Kazakhstan due to weather effects.

WELL COMPLETION SERVICE SEGMENT

Revenue from well completion segment	Six months ended 30 June **2024** *RMB'000*	2023 *RMB'000*	Change *(%)*
PRC	**51,384**	115,945	(55.7%)
Overseas	**55,976**	76,952	(27.3%)
Total	**107,360**	192,897	(44.3%)

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

During the Period, the Group's well completion segment recorded revenue of RMB107.4 million, representing a decrease of RMB85.5 million or 44.3% as compared to the same period of previous year. Revenue from well completion segment in the PRC market amounted to RMB51.4 million, representing a decrease of RMB64.6 million or 55.7% as compared to the same period of the previous year. The decrease in domestic revenue was due to the decrease in well completion operation in Xinjiang and Sichuan-Chongqing region. In terms of overseas well completion segment, it recorded revenue of RMB56.0 million, representing a decrease of RMB21.0 million or 27.3% as compared to the same period of the previous year. Such decrease was mainly due to the decrease in the volume of fracturing operations in the Kazakhstan region.

OTHER SEGMENT

Revenue from other segments	Six months ended 30 June **2024** *RMB'000*	2023 *RMB'000*	Change *(%)*
PRC	**65,280**	47,285	38.1%
Overseas	**0**	39,012	(100%)
Total	**65,280**	86,297	(24.4%)

Currently, revenue from other segments of the Group mainly includes revenue generated from the sale of natural gas.

During the Period, revenue from other segments amounted to RMB65.3 million, representing a decrease of RMB21.0 million or 24.4% as compared to the same period of previous year. Other revenue from the PRC market amounted to RMB65.3 million, representing an increase of RMB18.0 million or 38.1% as compared to the same period of previous year, which was mainly due to the increase in sales business of natural gas in Xinjiang region. Other revenue from overseas markets decreased by RMB39.0 million or 100.0% as compared to the same period of previous year. The decrease in overseas revenue from other segments was mainly due to the fact that the sales of edible alcohol project in Ghana, Africa, was transferred to the revenue of a joint venture from 22 November 2023.

MARKET ENVIRONMENT

Since 2024, international oil prices have been oscillating at a high level due to the geopolitical tensions in the Middle East and the voluntary production cuts extended by OPEC+, while oil companies continued to increase investment in upstream exploration and development, and oil-field service markets at home and abroad have remained buoyant. A number of international oil-field service companies have delivered strong growth momentum in both the interim and full-year results forecasts for 2024. According to the British Petroleum ("**BP**") World Energy Outlook 2024, the demand in global energy continues to grow, driven by the increasing prosperity and growth of emerging economies. It is expected that oil will continue to play an important role in the global energy system in the coming next ten to fifteen years, leading to continuous investment in upstream oil and natural gas. At the same time, with the changes in the international energy market environment and the low-carbon transformation situation, major international oil companies generally revise their strategic objectives, investment plans and development priorities, while adjusting their development strategies in a timely manner, so as to solicit a new balance between increasing oil and gas production and achieving the "net-zero" goal. In terms of China's market, in accordance with the Report on China's Oil, Gas and New Energy Market Development (2024), fossil energy remains the main energy source in China's primary energy demand, and oil and gas still play crucial roles in China's energy system. China's ability to guarantee energy security continues to improve. A number of large oil and gas fields with the scale of 100 million tons and 100 billion cubic meters have been successively discovered in the course of exploration, presenting a good trend of increasing reserves at a high level. Continuous pick-up of Chinese economy has underpinned the growth in demand of oil and gas. Since 2024, the oil demand in China has been steadily increasing. Natural gas has become an important energy source to support comprehensive green transformation of China's economic and social development by virtue of its diversified advantages of cleanliness, low-carbon, flexibility and high-efficiency. Benefiting from the steady growth of upstream investment, the profitability of oil-field service companies in China may be improved.

Overseas Markets

The Group's overseas operations are mainly located in Kazakhstan and Turkmenistan in Central Asia, Indonesia and Singapore in Southeast Asia, Canada in North America, the Middle East and some countries in Africa. During the Period, the Group's overseas projects have pursued progress while ensuring stability and making new breakthroughs. Kazakhstan, as the key market of the Group in Central Asia, suffered the worst flood disaster in the past 80 years due to spring floods and extensive ice and snow melt, which had a serious impact on local production and life. As a result, the workload postponed by the Group in Kazakhstan had an impact on the overall output value and profit of the Group to a certain extent. So far, the post-disaster reconstruction and resettlement have been progressed smoothly, and the production operations have gradually returned to normal. The Group adjusted its market strategy in the Kazakhstan region in response to current situation. Firstly, by protecting the existing projects featuring superior profits and market competitiveness, and highlighting its own technological strengths and iterative capabilities, the Group achieved the sustainable development and improved the ability to resist risks. Secondly, for labour-intensive projects recording low/ negative profits, the Group sought price breakthroughs, maintained scales or considered cutback, or pursued development under the multi-cooperation model. Thirdly, the Group seized the opportunities arising from the spillover of domestic resources (technology/ equipment/ business model) to overseas markets, strengthened the ability to build and integrate internal and external resources, and achieved the implementation of more projects. The specific measures are to promote the comprehensive integration of oilfield production enhancement. According to the development plan released by the Ministry of Energy of Kazakhstan on the development of renewable energy (wind/ solar/ hydropower/ biological resource) power generation, the Group went ahead to understand and familiarize with the process and regulations of external investment in this field, bridging with domestic resources and laying the foundation for the implementation of the projects. The Group made full use of its technological advantages in the Turkmenistan Region, integrated resources and made all-out efforts bravely. During the Period, the Group was rewarded with various successes in the market which was proven by the successively implementations of cementing services contract, drill bit procurement contract, strategic cooperation agreement and coiled tubing equipment contract. Mr. Ethan Wu, Chairman of the Board of the Group, led a team to visit the customers with long-term relationship in Turkmenistan, so as to consolidate the cooperative relationship and make a survey of the local market, which also greatly boosted the morale of the Turkmenistan regional team. Natural gas reserves in Turkmenistan account for 9% of the world's natural gas reserves, which boasts the potential for development. The team is determined to earnestly explore and delicately cultivate the local market to unveil a new era. Relying on the teamwork and spirit of hard work, the Group built up its strengths in the Middle East Region in 2024. As the market advantage has gradually become prominent, the Group realized the substantial increase in market orders, and significant growth of the output value and profit. Currently, the types of services cover a wide range of fields, including well workover and salvage, well cementing, downhole testing, ground test oil production, dynamic monitoring of reservoirs and oilfield equipment and spare parts trading, etc. In the future, the Group will continue to expand the scale of its well workover services and test oil services, and expand more types of business such as well logging, mud logging and corrosion monitoring, so as to gradually lay a solid foundation for our business in the Middle East. Global R&D center in Singapore successfully obtained the fourth edition of the API certification, achieving the latest and highest design verification level, which indicates that packer production technology in the factory in Singapore has reached the highest standards in the industry. This milestone marks the Group's major breakthrough in technological innovation, production process and product quality.

Revenue from Kazakhstan accounted for 48.0% of the Group's revenue from the overseas markets. Kazakhstan remains the largest overseas market in terms of revenue contribution to the Group. Revenues in the Middle East has also increased significantly.

PRC Market

In the first half of 2024, China's domestic oil and gas and new energy businesses closely focused on the overall layout of "stabilizing oil and increasing gas, green development, scientific and technological innovation, and management enhancement", and comprehensively pushed forward the work of exploration and development, quality improvement and efficiency enhancement, and risk prevention and control, showcasing a new phase of high-quality development. Oil and gas companies resolutely implemented the "Seven-Year Action Plan" for enhancing oil and gas exploration and development, accurately identified the crucial aspect for increasing oil and gas reserves and production, and took forceful measures to ensure continuous improvement. In July 2024, the National Energy Administration held a work promotion meeting to vigorously enhance oil and gas exploration and development. The meeting requested that companies should focus on key basins, increase the investment and workload input, strengthen the efforts in scientific and technological research, focus on three-dimensional exploration, build production at a large scale efficiently and speed up the establishment of oil and gas exploration and development bases. Moreover, led by scientific and technological innovation, efforts should continue to tackle challenges in four major areas of "two deeps, one unconventional and one old" by accelerating the breakthrough of key theoretical and technical problems in the efficient development of 10,000-meter deep ground, thousand-meter deep water, nanometer-scale unconventional and old oil and gas fields. Further, it is necessary to accelerate the green transformation, adapt to local conditions and diversify integration, systematically promote the clean and efficient development and utilization of oil and gas, accelerate the industrial development of carbon capture, utilization, and storage ("**CCUS**"), and facilitate oil and gas exploration and development to boost the realization of the dual-carbon goal. As the upstream sector of oil and gas companies, the ongoing deepening of oil development and utilization will continue to drive the development of the oil service industry. However, oil companies continued to promote quality and efficiency upgrades. Through various technological innovations, management innovations, and increased reserves and production, the prices of oilfield services remained low, and the profits of oilfield services companies continued to be squeezed.

In this context, in the domestic market, the Group closely followed the strategic adjustment of customers, strategically positioned itself and seized opportunities to expand its business. In the first half of 2024, Tarim Oilfield's petroleum liquids, natural gas, and energy equivalents realized the milestone of "Three Passing the Halfway Mark". Adhering to resource-oriented basis, the Group put exploration in the first place and proactively implemented a new round of strategic breakthroughs in prospecting, making major breakthroughs in oil and gas exploration, and basically ascertaining the proved and controlled reserves, thereby further consolidating the strategic position of Tarim Oilfield as an important energy production base in China. During the Period, Tarim Oilfield highlighted the risk exploration in ten major areas, strived to find strategic replacement areas, and actively sought strategic discoveries. Xinjiang has always been one of the key markets of the Group. The Tarim Oilfield of PetroChina, Xinjiang Oilfield and Sinopec Northwest Petroleum Bureau have always been the cornerstones of the Xinjiang market , boosting the Xinjiang Oilfield and Qinghai Oilfield. During the Period, our customers still adhered to refined management, continued to reduce cost and increase efficiency. Taking the cost of crude oil per ton as the main assessment basis, they conducted double assessment over the oil reservoir and engineering sectors. In this way, the market competition became extremely fierce. The Group seized the opportunity to expand its business, and constantly carried out technological innovation and overcame difficulties to ensure the increase in workload. During the Period, the Group's well completion business in Xinjiang region continued to take the lead in the regional market, with record-breaking performance in operating depth, temperature and difficulty. The drilling technology rotary steering tool and integrated Measurement While Drilling ("**MWD**") is expected to form a large-scale production value in the next one to two years through the "Four New Technology Evaluation" of the Tarim Oilfield, and the well repair business made breakthrough in the short radius lateral drilling operation market of Northwest Bureau. In addition, companies in Xinjiang region actively fostered personnel and updated equipment, and participated in the testing of "scientific exploration wells" and operation of well completion tools, fully demonstrating our outstanding strength in oil reservoir and well completion business.

During the Period, the Group's business in the Sichuan and Chongqing markets maintained steady growth. Oil reservoir business successfully completed the signing of the contract with PetroChina Southwest Oil & Gasfield Company for the 2024-2025 natural gas well wireline testing operation service. On this basis, the Group expanded the sales of wellhead electronic pressure gauges and successfully sold the Group's self-produced wellhead electronic pressure gauges to the market. The well completion business successfully completed the construction of the optical fiber project in the natural gas storage and transportation market in Chongqing, which was highly praised by customers, lying the foundation for the sales of wellhead and completion tools in the future. Meanwhile, a number of well completion tools such as downhole safety valves were delivered in the first half of the year, and the customers were satisfied with the quality of the goods and the delivery cycle. In addition, the Group has been actively exploring business cooperation with CNOOC in recent years. This year marked the fourth year of the Group signing contract with China United Coalbed Methane Corp. Ltd. ("**CUCBM**") for drilling general contracting project in tight gas block. Such collaboration has been accepted and highly praised by our customers. The Group made remarkable progress on the efficiency of operations in deep coalbed methane. Subsequently, the Group will concentrate on construction problems faced by our customers, and meanwhile seek cooperation opportunities of other sectors – expanding new energy market, such as geothermal wells and grouting wells. In terms of new energy projects, currently, we are actively following up and participating in a number of CCUS projects, like Yulin Chemical Co., Ltd. (a subsidiary of CHN Energy Investment Group ("**CHN Energy**")). The geophysical prospecting of the CCUS project conducted by CHN Energy Yulin Chemical Co., Ltd., has been started, and the geophysical prospecting and well selection have been completed. And the million-ton CCUS exploration site selection and well-exploration construction service projects of National Energy Group Coal-to-Liquid Co. have been completed, the geophysical prospecting has been completed, and the well location has been preliminarily selected. The relevant procedures for well site requisition are being handled, and drilling projects are expected to be completed within this year. Other CCUS markets are advancing steadily.

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

In terms of R&D and innovation of products and technologies, the Group has always adhered to the "technology-driven" development strategy proposed by itself. Based on the market and customer needs, we carry out independent product research and development and technology process integration and upgrade to respond to changes and challenges in the oil and gas exploration and development industry, and form a series of products and technologies with market competitiveness. During the Period, we held the "2024 Technical Seminar of SPT Energy Group", to further consolidate the foundation of the businesses of the Group, and promote the high quality and sustainable development of various technologies, so as to enhance and support the Group's overall operating capability. At this seminar, we clarified that priority should be given to the integration, upgrading and breakthrough of the existing technology while pursuing technology-driven development strategy, developing an industrial chain with technical advantage, thereby driving the development of the market and business of the Group through technology advances.

In terms of oil reservoirs, the Group's self-developed HYBEORTM recovery technology is a complete and personalized solution consisting of a series of new products, new technics and new concepts, which not only did the material innovation achieve superior single performance that traditional enhanced oil recovery technologies lacked, but also achieved synergistic effects to solve the problem of deterioration of balance of profile control and oil displacement in traditional enhanced oil recovery technologies and improve the displacement efficiency. This very technology has achieved good application effects and economic benefits. With the continuous optimization and improvement in the application process, the technology will meet the needs of more oilfields for enhanced oil recovery services, create value for customers and create benefits for the Company. The reservoir performance monitoring technology of ultra-deep, ultra-high temperature and ultra-high pressure wells ("**Three-Ultra Wells**") has developed a standard manufacturing process and technical specifications and has been recognized by customers. The maximum wellhead working pressure reached 106.9 MPa and the maximum working depth reached 8,100m, and all dynamic monitoring of wellhead oil pressure exceeded 80MPa in the Tarim Oilfield, providing high-quality data support for customers' oil and gas reservoir development. The technical research on the technics of acquisition of downhole temperature and pressure data of 10,000-meter deep wells made breakthrough and equipment matching and surface testing were completed, which is expected to be implemented on-site by the end of 2024. The Group's subsidiary Pioneer Petrotech Service Inc. ("**PPS**") independently developed high-temperature geothermal insulation cylinders. The product combines ultra-high vacuum technology, aerospace materials and its own electron beam welding technology and are deemed as the downhole tools, which are able to work for more than 6 hours at a well temperature of 300℃, which meets and exceeds the standard of high temperature geothermal well logging tools. The self-developed high-temperature geothermal insulation cylinders are available in various sizes for different scenarios and can be used for high-temperature upgrade of standard products, which is an important technological breakthrough of the Group in the field of high-temperature monitoring.

In terms of drilling, North Resources Oil Tools (Tianjin) Co., Ltd., a subsidiary of the Group is one of the global manufacturers of Baker Hughes PDC drill bit, with the manufacturer qualification of global polycrystalline diamond compact ("**PDC**") bit, maintenance manufacturer qualification and global drill bit supplier qualification of Baker Hughes. The Company's 8.5 inch PDC bit, with a drilling depth reaching 1,619 meters in a single day from the inclined section to the horizontal section of a shale gas well drilled by CNPC, Southwest Oil and Gas Field Company in January 2024, has effectively been improving drilling speed, shortening drilling cycle and reducing drilling costs.

In terms of well completion, Enecal PTE. Limited, a subsidiary of the Group ("**Enecal**") has developed the 25K downhole safety valve for well completion for ultra-deep and ultra-high pressure well, which has been put into use in the western Xinjiang oilfield. Meanwhile, Enecal has successfully developed a brand new annular chemical injection valve, breaking up American manufacturers' monopoly. After a year of research and development and testing, the product was mass-produced in 2024, which will bring more opportunities for the chemical injection valve market. The Group's integrated string techniques covering separation, transformation and production for the Three-Ultra Wells, Three Ultra-Inclined Wells and Three Ultra-Horizontal Wells have been applied in well construction and operations. Such techniques have set standard processes and specifications and operation procedures, establishing a benchmark for the industry.

In terms of well workover, the Group has developed a rotatable anti-stuck strong magnetic scraper to solve the long-time drilling in ultra-deep wells, completing the two processes of well opening and wall scraping in one drill. At the same time, the newly developed scraper solves the problem that the traditional hydraulic wall scraper blade cannot rotate after opening. The high-temperature and strong magnetic design offers easy-to-carry, casing burrs features, shortening the wellbore preparation cycle, saving about three days of construction time, improving quality and efficiency for customers. For the situation that the open hole is easy to collapse and difficult to dredge after the open hole completion in carbonate formation, we have developed the technology of running support pipe and dredging pipe string simultaneously, which solves the problem of difficult dredging and easy trapping in the open hole of carbonate rock formation.

The Group possesses leading-edge technical service capabilities in traditional oil services. Going forward, we will continue to focus on our technology-driven strategy, and strive to create value for customers and open up a broader space for the development of our business through technological innovation, integration and upgrading.

HUMAN RESOURCES

The Group will continue to focus our human resources efforts around our strategic landscape in 2024. The details are as follows:

I. Based on business layout and organizational performance, comprehensively introduced a dynamic management system for the Group's organizations and business units, and realized dynamic optimization and upgrading of business units based on hierarchical quantitative indicators of organizations;

II. Optimized talent layout and accelerated the building of an echelon of exceptionals. By conducting review on all levels of talents and organizing talent competitions, we have built a high-performance team, activated the appointment and promotion platform for talents and given full play to the advantages of backbone and potential talents, so as to help the Group achieve its goals;

III. Promoted innovation mechanism and incentive mechanism, and carried out reform to form younger management and business teams. The major business units of the Group employed young managers who had been selected and trained in the first half of the year, and implemented the rotation mechanism, aiming to energize and empower our business units and accelerate business development;

IV. In terms of training and development, continued to leverage the advantages of learning platform to customize enhancement plans for the Group's employees at home and abroad, and improved employees' capacity and skills by releasing "New Course Express" regularly and carrying out "live training", online "Employee Learning Path" as well as offline "Employee Training". We also focused on cultivating two types of talents in the first half of the year:

    1. International talent cultivation: reserving international integrated and technical talents in advance and initiating medium- and long-term international talent training based on international business development.

    2. On-the-job counseling to young cadres: implementing on-the-job development plans and one-to-one training for new young cadres in major areas and positions under the guidance of management planning.

    In the first half of 2024, the Group conducted 372 training sessions in total, including online training, with 69,561 training hours cumulatively. The training covered employees of the Group's major business units at home and abroad.

As of 30 June 2024, the Group had a total of 3,985 employees, representing a decrease of 214 employees from an aggregate of 4,199 employees as at 31 December 2023. The actual labour costs of the Group in 2024 were controlled within the budget range set at the beginning of this year.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group realized a revenue of RMB769.3 million, representing a year-on-year decrease of RMB73.8 million, or 8.8% from RMB843.1 million for the same period of the previous year. The decrease was mainly due to the impact of extreme weather, the decrease in overseas work volume and the revenue exclusion as a result of the transfer of a subsidiary to a joint venture.

Other gains, net

For the six months ended 30 June 2024, the Group recorded other gains, net, of RMB0.7 million, as compared with other gains, net, of RMB1.7 million for the same period of the previous year. The variance was mainly due to fluctuations in exchange rates.

Material costs

For the six months ended 30 June 2024, the Group's material costs amounted to RMB179.9 million, representing a year-on-year decrease of RMB55.0 million, or 23.4% from RMB234.9 million for the same period of the previous year. Such decrease was mainly due to the decrease in revenue.

Employee benefit expenses

For the six months ended 30 June 2024, the Group's employee benefit expenses were RMB302.7 million, representing a year-on-year increase of RMB22.1 million, or 7.9% from RMB280.6 million for the same period of the previous year. Such increase was mainly due to the increase in the labour costs resulting from the Group's new business.

Short-term and low-value lease expenses

For the six months ended 30 June 2024, the Group recorded short-term and low-value lease expenses of RMB53.1 million, representing a year-on-year increase of RMB6.9 million, or 14.9% from RMB46.2 million for the same period of the previous year.

Transportation costs

For the six months ended 30 June 2024, the Group's transportation costs amounted to RMB12.6 million, representing a year-on-year increase of RMB0.3 million, or 2.4% from RMB12.3 million for the same period of the previous year.

Depreciation and amortisation

For the six months ended 30 June 2024, the Group's depreciation and amortisation was RMB26.9 million, representing a year-on-year decrease of RMB4.6 million, or 14.6% from RMB31.5 million for the same period of the previous year. The decrease was mainly due to the full depreciation of certain fixed assets.

Technical service expenses

For the six months ended 30 June 2024, technical service expenses of the Group were RMB121.7 million, representing a year-on-year decrease of RMB2.3 million, or 1.9% from RMB124.0 million for the same period of the previous year.

Impairment loss of assets

For the six months ended 30 June 2024, the Group recorded impairment losses of assets of RMB39.5 million, representing a year-on-year increase of RMB23.1 million, or 140.9% from RMB16.4 million for the same period of the previous year. Such increase was mainly due to an increase in expected credit losses on accounts receivable and provision for impairment on inventories.

Others

For the six months ended 30 June 2024, the Group's other operating costs were RMB85.0 million, representing a year-on-year increase of RMB14.2 million, or 20.1%, from RMB70.8 million for the same period of the previous year.

Operating (loss)/profit

In view of the above reasons, the Group's operating loss during the Period was RMB51.5 million, as compared to an operating profit of RMB28.1 million for the same period of the previous year.

Finance costs, net

For the six months ended 30 June 2024, the Group's finance costs, net, were RMB18.4 million, representing a year-on-year increase of RMB2.7 million, or 17.2% from RMB15.7 million for the same period of the previous year.

Investment income from an associate and a joint venture under the equity method

For the six months ended 30 June 2024, investment income from an associate and a joint venture under the equity method of the Group was RMB1.1 million.

Income tax expense

For the six months ended 30 June 2024, the income tax credit was RMB3.7 million, compared with the income tax expense of RMB5.7 million for the previous year.

(Loss) /Profit for the Period

As a result of the explanations above, the Group's loss for the Period was RMB65.0 million, as compared to a profit of RMB6.8 million for the same period of the previous year.

(Loss) /Profit attributable to equity holders of the Company

For the six months ended 30 June 2024, the loss attributable to equity holders of the Company was RMB62.7 million, as compared to a profit of RMB9.3 million for the same period of the previous year.

Property, plant and equipment

As at 30 June 2024, property, plant and equipment were RMB400.6 million, representing a decrease of RMB6.4 million, or 1.6%, from RMB407.0 million as at 31 December 2023. The decrease was mainly due to depreciation of property, plant and equipment.

Right-of-use assets

As at 30 June 2024, the carrying value of right-of-use assets amounted to RMB47.3 million, representing a decrease of RMB8.5 million, or 15.2% from RMB55.8 million as at 31 December 2023. Such decrease was mainly due to the decrease of lease assets and the amortization of the right-of-use assets.

Intangible assets

As at 30 June 2024, intangible assets were RMB14.0 million, representing a decrease of RMB0.6 million, or 4.1%, from RMB14.6 million as at 31 December 2023. The decrease was mainly due to the amortisation in the current period.

Deferred income tax assets

As at 30 June 2024, deferred income tax assets were RMB117.5 million, representing an increase of RMB2.1 million, or 1.8% from RMB115.4 million as at 31 December 2023.

Prepayments and other receivables

As at 30 June 2024, the non-current portion of prepayments and other receivables was RMB22.6 million , as compared to RMB33.5 million as at 31 December 2023. The current portion of prepayments and other receivables was RMB257.8 million, as compared to RMB238.8 million as at 31 December 2023.

Inventories

As at 30 June 2024, inventories were RMB607.1 million, representing a decrease of RMB49.5 million, or 7.5% from RMB656.6 million as at 31 December 2023. The decrease was mainly due to inventory consumption and increase in provision of impairment losses of inventories.

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

As at 30 June 2024, contract assets, trade and note receivables were RMB869.7 million, representing a decrease of RMB168.7 million, or 16.3% from RMB1,038.4 million as at 31 December 2023. The decrease was mainly due to more timely collection of accounts receivable, and additional impairment losses provision during the Period. As at 30 June 2024, contract liabilities, trade and note payables were RMB549.6 million, representing a decrease of RMB272.0 million, or 33.1% from RMB821.6 million as at 31 December 2023. Such decrease was mainly due to payment from suppliers.

Liquidity and capital resources

As at 30 June 2024, the Group's cash and bank deposits, including cash and cash equivalents and restricted bank deposits, were RMB257.7 million, representing a decrease of RMB67.9 million, or 20.9% from RMB325.6 million as at 31 December 2023.

As at 30 June 2024, the Group's short-term borrowings and current portion of long-term borrowings were RMB525.0 million, while the long-term borrowings were RMB93.9 million. As at 31 December 2023, the Group's short-term borrowings and current portion of long-term borrowings were RMB416.2 million, while the long-term borrowings were RMB77.2 million. As at 30 June 2024, the bank borrowings of the Group were mainly denominated in RMB and such borrowings were subject to fixed interest rates.

As at 30 June 2024, the Group's current lease liabilities amounted to RMB5.4 million and the non-current lease liabilities amounted to RMB11.5 million. As at 31 December 2023, the Group's current lease liabilities amounted to RMB10.9 million and the non-current lease liabilities amounted to RMB13.3 million.

As at 30 June 2024, the Group's gearing ratio was 52.2%, representing an increase of 11.9% as compared with 40.3% as at 31 December 2023. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2024, the total number of ordinary shares of the Company in issue was 1,953,775,999 shares (31 December 2023: 1,953,775,999 shares). As of 30 June 2024, equity attributable to the equity holders of the Company was RMB1,235.6 million, representing a decrease of RMB64.5 million, or 5.0% from RMB1,300.1 million as at 31 December 2023.

Significant investment held

As at 30 June 2024, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

Assets pledged to secure bank borrowings

As at 30 June 2024, the Group pledged certain of its right-of-use assets and trade and note receivables to secure the Group's bank borrowings. The carrying values of the assets pledged are as follows:

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Right-of-use assets	**2,383**	2,852
Trade and note receivables	**164,440**	56,400

Assets pledged to secure the loans from a third party institution

The Group's loans from a third party institution are expiring from 2024 to 2026 and are secured by certain machinery with a carrying amount of RMB189,733,000 (2023: RMB182,988,000), and guaranteed by a subsidiary of the Group.

Foreign exchange risk

Fluctuations in exchange rates of Tenge ("**KZT**") and USD have exposed the Group to foreign currency exchange risk. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales to and purchases from overseas are mostly denominated in USD. Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts in Kazakhstan are required to be denominated in KZT. On average, in the first half of 2024, the exchange rates of KZT and USD against RMB decreased generally compared with the same period of the previous year, but such movement did not have a significant impact on the overall business of the Group.

Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 30 June 2024, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 30 June 2024, the Group had capital expenditure commitments of RMB52.3 million.

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND USE OF PROCEEDS

Reference is made to the announcements of the Company dated 21 April 2023 and 2 May 2023 in relation to the placing of new shares under general mandate during the financial year ended 31 December 2023.

On 21 April 2023, the Company entered into the placing agreement with China Galaxy International Securities (Hong Kong) Co., Limited, the placing agent, to procure placees to purchase a total number of the placing shares, being 100,000,000 new shares of the Company, at a price of HK$0.250 per placing share, pursuant to the terms of the placing agreement.

On 2 May 2023, the Company completed the placing and subscription of 100,000,000 placing shares to not less than six placees (the "**Placing**") with net proceeds of approximately HK$24.62 million. The Company intended to use the net proceeds raised from the Placing for capital expenditure and general replenishment of working capital.

The net proceeds, after deducting the placing commission, professional fees and all related expenses which were borne by the Company, from the Placing were approximately HK$24.62 million, which were used for capital expenditure and to replenish general working capital. The net placing price was approximately HK$0.246 per share. The Company wishes to clarify the details of the use of net proceeds from the Placing during the financial year ended 31 December 2023, as follows:

Use of the net proceeds	Net proceeds unutilized as of 31 December 2023 Amount (HK$ million)	Utilized net proceeds during the financial year ended 31 December 2023 Amount (HK$ million)
Capital expenditure	**0.00**	0.08
General replenishment of working capital	**0.00**	24.54

During the financial year ended 31 December 2023, the net proceeds raised by the Company from the issue of shares were used according to the intentions previously disclosed by the Company, and there was no material change or delay in the use of net proceeds.

2021 SHARE OPTION SCHEME

The Company wishes to clarify the following details of the 2021 share option scheme of the Company adopted on 10 June 2021 (the "**2021 Share Option Scheme**").

Pursuant to Rule 17.07(2) of the Listing Rules, the number of options available for grant under the scheme mandate of the 2021 Share Option Scheme as at 1 January 2023 and 31 December 2023 were 185,377,599 and 77,599, respectively.

On 31 March 2023, 185,300,000 share options were granted by the Company to certain Directors and employees to subscribe for 185,300,000 ordinary shares of USD0.0001 each at an exercise price of HK$0.25. These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. As such, pursuant to Rule 17.07(3) of the Listing Rules, the number of shares that may be issued in respect of options granted under all schemes of the Company during the financial year ended 31 December 2023 divided by the weighted average number of shares in issue (excluding treasury shares) for the financial year ended 31 December 2023 was nil.

SUBSEQUENT WORK PLANS

In the second half of 2024, due to a combination of factors such as low global crude oil inventories, production cuts maintained by "OPEC+" oil-producing countries, expectations of an interest rate cut by the Federal Reserve, and continuing geopolitical tensions between Russia and Ukraine, Palestine and Israel, etc., international oil prices are expected to remain high and volatile. While Oil companies are still willing to maintain high capital expenditures, and the oil and gas industry continues with growing prosperity, the size of oilfield service market is expected to achieve sustained growth. Domestically, as stimulated by the national energy security strategy, the investment in oil and gas exploration and development is expected to continue to grow. The "Guiding Opinions on Energy Work in 2024" issued by the National Energy Administration further emphasized the importance of ensuring national energy security, expressly pointed out the necessity of increasing efforts in oil and gas exploration and development to strengthen the safety guarantee capacity of fossil energy, which provides policy support for the oilfield service industry. Focusing on the Group's newly upgraded strategy and its business goals for 2024, in the second half of 2024, the Group will continue to strengthen the following aspects according to the plan at the beginning of the year:

1. The Group will seize the strategic opportunity period of the global industry's emphasis on the balanced development of oil and gas business and renewable energy and China's proposal to "constantly increase exploration and development and increase reserves and production to ensure energy security supply", and leverage the favorable conditions that the high oil price may bring an upward cycle for the oilfield service industry, to continue to base ourselves on the domestic market, explore overseas markets, accelerate the process of internationalization, explore emerging markets, lay out strategic markets, and focus on the needs of customers to "promote the high-end, intelligent and low-carbon development of the industry chain" to enhance the Group's value creation capabilities. The Group will firmly implement the upgrading measures under the strategic layout of "one main and two auxiliaries", stick to its main oilfield service business, continue to maintain its dominant position in the oilfield service industry chain, continue to uphold technological leadership, strengthen its capacity building and consolidate its century-ambitious enterprise foundation; we will seize the opportunities to accelerate the development of new energy business; moreover, we will accelerate the exploration and development of Indonesian oil field to achieve large-scale production capacity as soon as possible and thoroughly improve the development environment of the Group.

2. The Group will continue to focus on the long-term strategy of "technology leading the development of enterprises and innovation driving the bright future". Under the strategy of "technological innovation adds growth drivers, improvement of quality and efficiency facilitates development", the Group will continuously utilize cutting-edge technical solutions to satisfy customers' increasing service and emission reduction requirements, thereby empowering sustainable development with technological innovation. We will attach great importance to individual technological innovation, and more importantly, improve the capability to provide oil and gas companies with centralized, integrated and comprehensive energy technology service solutions covering the entire business process in the process of energy transformation as well as strength synergetic development. The Group will continue to promote the participation in projects and technologies to effectively enhance market competitiveness, so as to enhance the market position of the Group.

3. The Group will set clear management goals, continuously innovate corporate governance concepts, improve profitability, risk management and control ability, and cost management and control ability, and consolidate the overall ability construction. The Group will enhance flexibility and risk prevention ability by improving and implementing the profitability assessment incentive scheme as well as the oversight and accountability mechanism for security, internal control compliance, investment and cash flow, promoting all-out cost control and quality and efficiency improvement for every production line and step, and building high-level technical teams and market teams.

4. The Group will constantly retain talents to empower corporate development. Based on the business layout and organizational performance, we fully introduce a dynamic management system into our organization and business units to optimize the distribution of talents and form a team with high comprehensive quality, strong professional skills and the capability to run international projects. We will also promote innovation mechanisms and incentive mechanisms, and realize the rejuvenation of the management team and business team. Moreover, we will continue to build a positive and fair platform for sustainable development, care for employees' well-being, and inspire them to increase their work enthusiasm, showcase their talents, and realize their potential.

5. The Group will continuously establish a long-term effective ESG management system, incorporating ESG, climate change responses and sustainable development concepts into decision-making and operations of the Company. We will continuously consummate corporate governance to consolidate our management foundation. We will improve our ESG information disclosure level and our social communication capacity, actively promote research work in relation to information disclosure on climate change, so as to build a good internal and external environment and strengthen our ability for stable growth and sustainable development. Meanwhile, the Group will actively encourage upstream and downstream partners to jointly fulfill social responsibilities of green and low-carbon development.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 to the shareholders of the Company (for the six months ended 30 June 2023: nil).

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

Save as disclosed below, the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 June 2024.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to Code Provision C.2.1 of Part 2 of the CG Code, the roles of chairman of the Board and chief executive officer of the Company should be segregated and should not be performed by the same individual. With effect from 26 March 2024, Mr. Ethan Wu has performed both the positions of chairman of the Board and chief executive officer of the Company. The Board believes that as one of the founders of the Company, Mr. Ethan Wu has extensive experience in the industry and business operations. Vesting the roles of both chairman of the Board and chief executive officer in Mr. Ethan Wu has the benefit of ensuring consistent leadership and operation within the Group and enables more effective and efficient overall strategic planning for the Group. The Board and the nomination committee of the Company will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

The Company will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and maintain high standards of corporate governance practices of the Company.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities (including sale of treasury shares). As of 30 June 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the unaudited interim results for the six months ended 30 June 2024 of the Group.

PUBLICATION

The interim results announcement for the six months ended 30 June 2024 of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sptenergygroup.com) respectively. The 2024 interim report will be despatched (if necessary) 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. Ethan Wu
Chairman

Hong Kong, the PRC, 28 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Ethan Wu, Mr. Li Qiang and Mr. Ding Kechen; the non-executive Directors of the Company are Mr. Wang Guoqiang, Mr. Wu Jiwei and Ms. Chen Chunhua; and the independent non-executive Directors of the Company are Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Ma Xiaohu.

* *For identification purpose only*