TERMBRAY PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2178

Interim Report 2013

Petro-king
百勤油服

CONTENTS

CORPORATE INFORMATION

Executive Directors

Mr. Wang Jinlong (王金龍)
Mr. Zhao Jindong (趙錦棟)

Non-executive Directors

Mr. Ko Po Ming (高寶明)
Mr. Lee Tommy (李銘浚)
Ms. Ma Hua (馬華)

Independent Non-executive Directors

Mr. Wong Lap Tat Arthur (黃立達)
Mr. Tong Hin Wor (湯顯和)
Mr. He Shenghou (何生厚)

Audit Committee

Mr. Wong Lap Tat Arthur (黃立達) *(Chairman)*
Mr. Tong Hin Wor (湯顯和)
Mr. He Shenghou (何生厚)

Remuneration Committee

Mr. He Shenghou (何生厚) *(Chairman)*
Mr. Tong Hin Wor (湯顯和)
Mr. Wong Lap Tat Arthur (黃立達)
Mr. Wang Jinlong (王金龍)
Mr. Lee Tommy (李銘浚)

Nomination Committee

Mr. Wang Jinlong (王金龍) *(Chairman)*
Mr. Lee Tommy (李銘浚)
Mr. He Shenghou (何生厚)
Mr. Tong Hin Wor (湯顯和)
Mr. Wong Lap Tat Arthur (黃立達)

Sanction Oversight Committee

Mr. Wong Lap Tat Arthur (黃立達) *(Chairman)*
Mr. Wang Jinlong (王金龍)
Mr. He Shenghou (何生厚)

Company secretary

Mr. Tung Tat Chiu, Michael (佟達釗)

Authorised representatives

Mr. Wang Jinlong (王金龍)
Mr. Tung Tat Chiu, Michael (佟達釗)

Registered office in the British Virgin Islands

Commerce House
Wickhams Cay 1
P.O. Box 3140
Road Town, Tortola
British Virgin Islands
VG1110

Principal place of business in Hong Kong

Office No. 504, 5th Floor
Tower 1, Silvercord
No. 30 Canton Road
Kowloon, Hong Kong

Principal place of business in the PRC

7/F, Tower A, Tiley Central Plaza
No. 3 Haide Road
Nanshan District
Shenzhen
Guangdong
China

Compliance Adviser

China Galaxy International Securities
(Hong Kong) Co., Limited

Principal share registrar and transfer office in the British Virgin Islands

Codan Trust Company (B.V.I.) Ltd.
Commerce House, Wickhams Cay 1
P.O. Box 3140
Road Town, Tortola
British Virgin Islands VG1110

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Standard Chartered Bank (China) Limited
11/F Tower A, Kingkey 100 Building
No. 5016 Shennan East Road,
Luohu District
Shenzhen 518001
China

China Merchants Bank
China Merchants Building, Shekou
Shenzhen 518067
China

Industrial and Commercial Bank of China
Limited
Clearing Centre the Second Floor
North Block Financial Center
Shennan Road East
Shenzhen
PRC

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisers (Hong Kong law)

Tung & Co.

Company's website

www.petro-king.cn

Stock code

2178

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013 ("1H2013"), the Group recorded a revenue of HK$495.7 million from continuing operations, representing an increase of HK$186.0 million or approximately 60% from HK$309.7 million in the same period in 2012 ("1H2012"). The Group's operating profit in 1H2013 increased by HK$61.4 million or approximately 134% to HK$107.2 million from HK$45.8 million in 1H2012. Operating profit margin improved by 7 percentage points to 22% in 1H2013, as compared to the operating profit margin of 15% in 1H2012. Excluding the effects of the HK$47.7 million one-off gain on disposal of a jointly controlled entity in 1H2012, the Group's net profit after tax increased by HK$49.5 million or approximately 177% from HK$27.8 million in 1H2012 to HK$77.3 million in 1H2013 and the Group's net profit margin also improved from 9% in 1H2012 to 16% in 1H2013.

In 2012, the Group gradually scaled down and eventually ceased operations in the sanctioned countries (such as Iran and Syria) in November 2012. The operations in the sanctioned countries were classified as "discontinued operations" in the unaudited interim condensed consolidated financial statements of the Group. The revenue and net profit generated from discontinued operations amounted to HK$36.8 million and HK$9.0 million, respectively, in 1H2012. Unless otherwise stated in the relevant paragraph, the Group's management discussion and analysis in this interim report are based on results from continuing operations only.

BUSINESS REVIEW

Expanded Customer Base

In 1H2013, the Group achieved a balanced development in both China and overseas markets.

In China, while maintaining a good relationship with existing customers, such as the subsidiaries and joint ventures of China Petrochemical Corporation ("Sinopec"), the Group won bids and entered into bilateral contracts with new customers, including Petrochina Changqing Oilfield Company (a subsidiary of China National Petroleum Corporation ("CNPC")) and Shaanxi Yanchang Petroleum Group, for horizontal well multistage fracturing projects in Ordos basin, Petrochina Tarim Oilfield Company and CNPC Greatwall Drilling Company, both are CNPC subsidiaries, for drilling projects in Tarim basin and Sichuan basin.

Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continues to be the Group's focus in China. In addition to the production enhancement jobs for tight gas and tight oil in Ordos basin and Sichuan basin, the Group also provides early stage consultancy services for two shale gas investors in China.

Although the Group has been successfully gaining new projects from new customers in China, most of the new projects were still in preparation stage in 1H2013. As such, massive works and revenue are yet to be incurred. In 1H2013, the Group experienced a slowdown in revenue from the China market as compared to 1H2012. Overall development progress of the Group's customers' fracturing projects in China in 1H2013 was slower than expected. Slower-than-expected production enhancement jobs from Sinopec Northern China Company in 1H2013 and drop in average revenue per well of about 20% were the major causes to the slowdown in revenue growth in China.

For overseas markets, South America and the Middle East were the major focuses of the Group in 1H2013. In Venezuela, the Group has further enhanced its business relationship with Petroleos de Venezuela, S.A ("PDVSA"), the national oil company ("NOC") in Venezuela. While continuing its well completion services, the Group has also started its production enhancement services for a gas field in Venezuela and commenced the discussion with its customer to further expand its services into coiled tubing and surface equipment.

The Middle East is another major overseas market of the Group. In consideration of the risks associated with sanction issues, the Group terminated its businesses in Iran and Syria in 2012. However, by leveraging its excellent track record and experienced engineering team, the Group has been actively promoting its products and services in other countries in the Middle East and has successfully gained new customers and new projects in the Middle East. For example, the Group has entered into exclusive marketing and distribution agreements with local oilfield equipments distribution companies in Abu Dhabi of the United Arab Emirates for its completion tools and has entered into contracts with Iraq.

Furthermore, the Group has been actively promoting its oilfield project services in Central Asia. The Group also plans to enter into Australia and Canada markets as opportunities to provide oilfield services for Chinese NOC's investment there.

New Services/Product Development

As a high-end integrated oilfield service provider, the Group strives to enhance and to expand its in-house capabilities of developing and manufacturing certain key oilfield service tools and equipments.

In 1H2013, the Group started batch production of its self-developed multistage fracturing packers with a target of increasing the proportion of self-made tools used for multistage fracturing projects to above 50% of all tools. In addition, the Group has achieved a major breakthrough in product design and development of drilling technology. The Group has successfully developed its own turbine drilling tool and put into commercialized operation of its self-developed directional turbine drilling technology in Tarim basin, Northwestern China. It is the Group's plan to further manufacture 32 additional units of turbine drilling tools in various models in 2013, to be used for its directional turbine drilling services in China as well as in overseas markets.

Further to the multistage hydraulic fracturing technology for horizontal well production enhancement that the Group introduced in China in 2012, the Group debuted a new fracturing technology, namely, fast drill bridge plug fracturing technology, for production enhancement of tight gas/oil in 2013.

Leveraging on its product development and manufacturing capability of surface facilities for safety and surface flow control, the Group has successfully introduced a new service line, namely, surface engineering oilfield services, to customers in the Middle East and South America.

Huizhou Base

As disclosed in the prospectus of the Company dated 22 February 2013 for the initial public offering in Hong Kong ("IPO"), about 35% or approximately HK$248.6 million of the proceeds arising from the IPO would be used to establish a research and development and production base in Huizhou, Guangdong, PRC ("Huizhou Base"). Construction work of the Huizhou Base has commenced in 1H2013 and its trial run is targeted to begin in the first half of 2014.

The Group believes the new production facilities of Huizhou Base will significantly enhance the production capacity of its manufacturing segment of key tools and equipment for oilfield services while lowering its reliance on major suppliers, therefore, optimising the cost structure of principal operations and enhancing its product and service qualities. This project will lay a solid foundation for the Group's business development in the next few years and maintain its market position as a leading China-based service provider of high-end oilfield services.

Geographical Market Analysis

Set out below is the revenue analysis by geographical area:

	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	**Approximate percentage of total revenue in 1H2013 (%)**	Approximate percentage of total revenue in 1H2012 (%)
China market	**241.7**	278.3	-13%	**49%**	90%
Overseas markets	**254.0**	31.4	709%	**51%**	10%
Total	**495.7**	309.7	60%	**100%**	100%

In 1H2013, the Group's revenue from the China market amounted to HK$241.7 million, decreased by HK$36.6 million or approximately 13% as compared to HK$278.3 million in the same period last year. The drop in revenue from the China market was mainly attributable to the slower production enhancement jobs from the Sinopec Northern China Company in 1H2013. A drop by about 20% in average revenue per well was also one of the causes to the Group's slowdown in revenue growth from the China market. In addition, the Group's revenue from drilling services was affected as the Group is in a transitional period of replacing the existing leased tools with its self-made tools.

The Group is able to offer more competitive average unit price per well to its customers, as the Group has achieved substantial cost saving by bargaining with its suppliers on fracturing tools and by using its self-made tools, which outweigh the impact of the drop of about 20% in the average revenue per well for multistage fracturing jobs in 1H2013 on its gross profit margin. Despite this, the Group's gross profit margin from its multistage fracturing of horizontal wells has improved in 1H2013.

In 1H2013, the Group's continuing operations achieved a balanced development in both China and overseas markets. The revenue from overseas markets amounted to HK$254.0 million in 1H2013, accounting for approximately 51% of the Group's total revenue, increased by HK$222.6 million, representing approximately 8 times as compared to the revenue of HK$31.4 million in the same period last year. The tremendous growth of overseas markets was attributed to the successful establishment of the Group's business relationship with PDVSA as its well completion products and services provided to the customer in the second half of 2012 were highly recognised in terms of quality and service. In addition to providing further well completion services to the customer, the Group also started to provide production enhancement (mainly multistage fracturing services) to PDVSA for an old abandoned gas field in 1H2013.

Revenue From China Market

Set out below is the breakdown of the revenue from China market:

	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	Approximate percentage of total 1H2013 (%)	Approximate percentage of total 1H2012 (%)
Northern China	**122.2**	188.1	-35%	**51%**	68%
Southwestern China	**26.4**	53.2	-50%	**11%**	19%
Northwestern China	**12.5**	7.3	71%	**5%**	3%
Other regions in China	**80.6**	29.7	171%	**33%**	10%
Total	**241.7**	278.3	-13%	**100%**	100%

In 1H2013, the Group's revenue from Northern China amounted to HK$122.2 million, decreased by HK$65.9 million or approximately 35% as compared to the revenue of HK$188.1 million in the same period last year. As discussed above, the drop in revenue was mainly due to the slower-than-expected growth in production enhancement jobs from Sinopec Northern China Company in 1H2013, and the drop of about 20% in average revenue per well was also the major cause to the Group's slowdown in revenue growth from the China market.

In 1H2013, the revenue from Southwestern China amounted to HK$26.4 million, decreased by HK$26.8 million or approximately 50% as compared to the revenue of HK$53.2 million in the same period last year. The drop in revenue from Southwestern China was mainly due to the transitional period of the Group's turbine drilling services for replacing the existing leased tools with self-made turbine drilling tools.

In 1H2013, the revenue from Northwestern China and other regions has recorded significant growth after the successful promotion of the Group's directional turbine drilling service and new service lines, such as surface facilities, which were largely benefited from the Group's development in capability of its own product development and manufacturing.

Revenue From Overseas Markets

Set out below is the breakdown of the revenue from overseas markets:

	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	Approximate percentage of total 1H2013 (%)	Approximate percentage of total 1H2012 (%)
Venezuela	**240.5**	–	N/A	**95%**	–
Other overseas regions *(Note)*	**13.5**	31.4	-57%	**5%**	100%
	254.0	31.4	709%	**100%**	100%

Note: Other overseas regions mainly include Russia, Kazakhstan, the Republic of Trinidad and Tobago, the United Arab Emirates, and Gabon, etc.

In 1H2013, the Group's revenue from overseas markets was mainly from PDVSA, located in Venezuela. As discussed above, PDVSA became the Group's customer in the second half of 2012. In 1H2013, revenue from other overseas regions dropped by HK$17.9 million or approximately 57%. The significant drop was mainly due to the completion of offshore projects from LLC Venineft ("Venineft") (a subsidiary of Russian NOC, Rosneft) in 2012. The Group has recorded about HK$22.0 million revenue from Venineft in 1H2012, but nil in 1H2013. Venineft is currently in consideration of the overall development of a project and is likely to kick-off the development of such project in 2014 or after.

Leveraging on the Group's previous experience and excellent track record of well completion services in Iran, the Group has successfully gained new customers in the Middle East, such as Iraq and the United Arab Emirates. The Group expects to record significant revenue growth as a result of the revenue generated from these new customers in the second half of 2013.

Business Segment Analysis

Set out below is the revenue analysis by business segment:

	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	**Approximate percentage of total revenue in 1H2013 (%)**	Approximate percentage of total revenue in 1H2012 (%)
Oilfield project services	**401.8**	275.3	46%	**81%**	89%
Consultancy services	**18.7**	14.8	26%	**4%**	5%
Manufacturing and sales of tools and equipment	**75.2**	19.6	284%	**15%**	6%
Total	**495.7**	309.7	60%	**100%**	100%

In 1H2013, the Group's revenue from oilfield project services amounted to HK$401.8 million, accounting for approximately 81% of the Group's total revenue, and increased by HK$126.5 million or approximately 46% as compared to the revenue of HK$275.3 million in the same period last year. The Group's revenue from consultancy services amounted to HK$18.7 million for 1H2013, increased by HK$3.9 million or approximately 26% as compared to the revenue of HK$14.8 million in 1H2012. In addition, the Group further expanded its manufacturing and sales of tools and equipment business in 1H2013, which generated revenue of HK$75.2 million, increased by HK$55.6 million or approximately 284% as compared to the revenue of HK$19.6 million in the same period last year, and its contribution to the total revenue rose to 15% in 1H2013 from 6% as compared to the same period last year. The rapid increase in the manufacturing capacity of the Group not only provides supports to quality tools and equipment for the Group's own use in oilfield projects, its self-developed tools and equipment are also well recognised in the market. The revenue from manufacturing and sales of tools and equipment has recorded a meaningful growth in 1H2013.

Oilfield Project Services

Set out below is the revenue analysis of oilfield project services:

	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	**Approximate percentage of total 1H2013 (%)**	Approximate percentage of total 1H2012 (%)
Drilling	**29.0**	79.2	-63%	**7%**	29%
Well completion	**214.0**	6.0	3,467%	**53%**	2%
Production enhancement	**158.8**	190.1	-16%	**40%**	69%
Total	**401.8**	275.3	46%	**100%**	100%

Drilling Services

In 1H2013, the Group's revenue from drilling services amounted to HK$29.0 million, dropped by 63% as compared to that of HK$79.2 million in 1H2012, which was mainly due to the transitional period of replacing existing leased turbine drilling tools by its self-made turbine drilling tools.

The Group focuses mainly on high-end drilling services, such as directional and turbine drilling technologies. In the past few years, the Group has actively promoted its turbine drilling services in various oilfields in China which is now well recognised in the market as a technological solution for hard and abrasive formation wells and is currently the most effective way to enhance the rate of penetration for deep and hard rock formation wells. To further enhance its drilling service capability and capacity, the Group plans to increase its self-made turbine drilling tools to 35 units by the end of 2013, from 3 units as at 30 June 2013. In addition, the Group has added 2 units of Measurements While Drilling ("MWD") tools to strengthen its directional turbine drilling services.

In addition to the Sinopec Group, the Group has recently started its turbine drilling and directional drilling services for CNPC. The Group expects that the revenue from drilling services in China will pick up quickly later this year. For overseas markets, the Group is now building a drilling service team which is targeted to provide its turbine/directional drilling services to a few customers in the Middle East and South America.

Well Completion Services

In 1H2013, revenue from the Group's well completion services amounted to HK$214.0 million, increased by HK$208.0 million as compared to the revenue in the same period of 2012. Such increase in revenue from completion services was mainly due to the revenue generated from PDVSA in Venezuela. The Group has secured further business from PDVSA after successfully establishing a good business relationship with PDVSA in 2012. The Group's well completion products and services provided to PDVSA in the second half of 2012 were highly recognised in terms of quality and services.

In addition to Venezuela, the Group has been actively promoting its well completion services in the Middle East and has recently acquired new customers in Iraq and the United Arab Emirates. To further promote the Group's well completion products and services in these areas, exclusive agency agreements have been entered with local well-known tools and equipment distributors in Pakistan and the United Arab Emirates respectively, which marks the further progress of the Group's self-developed well completion tools to enter the affluent Middle East market.

Production Enhancement Services

In 1H2013, revenue from the Group's production enhancement services was HK$158.8 million, decreased by HK$31.3 million or approximately 16% as compared to the revenue of HK$190.1 million in the same period last year. The drop in revenue was mainly due to the slower-than-expected growth in production enhancement jobs from the Sinopec Northern China Company in 1H2013, and a drop of approximately 20% in average revenue per well. In 1H2013, the Group has completed a total of 57 wells for production enhancement services, slightly higher than 55 wells completed in the same period last year, mainly in Ordos basin of North China. In 1H2013, the Group has achieved a breakthrough in market development of production enhancement, and has successfully entered into the market of multistage fracturing of horizontal wells in Changqing Oilfield, which is the largest oilfield in China. In addition, the Group has successfully commenced its business with Shaanxi Yanchang Petroleum Group in the multistage fracturing business.

In 1H2013, the Group's self-made fracturing tools have been widely applied in the Group's oilfield services. For example, the Group has successfully applied its self-made fracturing tools in a number of wells located in Ordos basin. In addition, the Group also made progress in the application of new production enhancement technology. In April 2013, the technology of fast drilling bridge plug fracturing was applied in the Group's services provided in the horizontal well in Honghe oilfield of the Sinopec Northern China Company. Subsequent to the successful application of such new fracturing technology in Ordos basin, the fast drilling bridge plug fracturing services were promoted in other oilfields in China, including a 22-stage shale gas well in the Jianghan Oilfield.

Consultancy Services

In 1H2013, the Group's revenue from consultancy services amounted to HK$18.7 million, increased by approximately 26% as compared to the revenue of HK$14.8 million for the same period last year. Such increase mainly resulted from the growth of consultancy services provided to projects in the South China Sea.

Although the revenue from consultancy services only amounts to about 4% of the Group's total revenue in 1H2013, this service line is particularly important for the Group in gaining new businesses from those non-NOC shale gas investors in China. As most of the non-NOC shale gas investors generally lack professional experience in the exploration and development of shale gas, and the Group's Integrated Project Management ("IPM") service team can assist in project management during the entire life cycle of their projects.

Manufacturing and Sale of Tools and Equipment

In 1H2013, the Group further expanded its manufacturing and sale of tools and equipment business with a revenue of HK$75.2 million, increased by HK$55.6 million or approximately 284% as compared to the revenue of HK$19.6 million in the same period of 2012. The proportion of the total income rose to approximately 15% in 1H2013 from approximately 6% in the same period of 2012. The Group pays close attention to quality control of the manufacturing of tools and equipment and implements the International Organization for Standardization ("ISO") 9001 Quality Control System for the products. A number of the Group's products obtained certificates awarded by American Petroleum Institute, including safety valves, packers, control system for subsurface tools, lock mandrels and actuators. The stringent quality control and high quality standardisation enable the Group to adhere to the relevant industry standard and quality requirement of its customers consistently. The high-quality products are well-recognised in the market, including a number of international reputable companies, such as Sinopec, Shell and China National Offshore Oil Corporation ("CNOOC"). For example, for the Group's control panel system for safety and surface flow control, the Group has successfully entered into Shell's vendors list and became a qualified supplier of Shell in China.

The Group believes, with continuing enhancement of independent product research and development capability, high quality of products, better recognisation in the market, wide application in different oilfields and enhancement in production capacity following with the completion of Huizhou Base, the manufacturing and sales of tools and equipment will further enhance the Group's service capability in high-end oilfield projects in both China and overseas markets and continue to make a significant contribution to the Group's overall revenue.

Customer Analysis

Set out below is the revenue analysis by customers:

Customers	1H2013 (HK$ million)	1H2012 (HK$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 1H2013 (%)	Approximate percentage of total revenue in 1H2012 (%)
Sinopec	168.1	255.3	-34%	34%	82%
PDVSA	240.5	–	N/A	49%	–
Others *(Note)*	87.1	54.4	60%	17%	18%
Total	495.7	309.7	60%	100%	100%

Note: Others includes CNPC, CNOOC, Winfield Oil Services Limited, ConocoPhillips China Inc., Venineft, and Weatherford, etc.

It has been the Group's strategy to diversify its customer mix, especially geographically. In 1H2013, the Group further expanded its customer base and entered into new contracts with new customers. Revenue from the Sinopec Group amounted to HK$168.1 million in 1H2013, decreased by about 34% as compared to that of HK$255.3 million in the same period last year. Accordingly, the revenue contribution from the Sinopec Group to the Group's total revenue decreased from approximately 82% in 1H2012 to approximately 34% in 1H2013. In 2012, the Group has successfully gained a new customer PDVSA, located in Venezuela, South America, with revenue from PDVSA in 1H2013 amounted to HK$240.5 million, representing about 49% of the Group's total revenue. While maintaining a good relationship with existing customers, it is the Group's strategy to further expand its customer base in both China and overseas markets. In 2013, the Group has successfully gained a few important customers, including the CNPC Group and the Shaanxi Yanchang Petroleum Group.

Research and Development

The Group values the importance of technology and prides itself on its skills and expertise in a number of areas in oilfield services, such as turbine-drilling, multistage fracturing, surface facilities for safety and surface flow control systems and the use of safety valve, packer, other well completion and production enhancement tools, drilling fluids and fracturing liquid.

During 1H2013, the Group has been enhancing its product development capability. Expenses for research and development in the first half year was HK$7.6 million, increased by HK$5.7 million or approximately 300% as compared to the expenses of HK$1.9 million in the same period of 2012.

The Group's self-developed products have been widely applied in the Group's oilfield projects and have achieved excellent results. In 1H2013, the Group provided turbine drilling services in the Songliao plain by using its self-developed turbine drilling tools, which make it the first Chinese oilfield service company that provides drilling services by using self-developed turbine drilling tools. In addition, the Group sets new record for domestic manufactured instruments by providing directional turbine drilling services in the Sichuan basin well. The Group has proficiently used LWD/MWD drilling technology, and has been actively expanding its own LWD/MWD service capacity.

In recent years, the Group's turbine drilling technology has created a series of new records in drilling in Sichuan, Xinjiang, Songliao plain and other oil and gas blocks. The Group's turbine drilling technology has become one of the most effective methods in enhancing the rate of penetration (ROP) in hard and abrasive formation wells. The Group will develop and produce different models and specifications of turbine drilling tools to adapt to different well types and customer needs.

In 1H2013, the Group has made 9 new patent applications for its self-developed technologies, which include 6 patents for invention and 3 patents for utility model, containing down hole operation tool, reusable fracturing fluid in shale gas reservoir and high pressure comprehensive tested shaft for down hole operation tools.

Human Resources

It has always been the Group's belief that its employees are its most valuable asset and the development of each employee has always been the Group's first priority in human resources management. To this end, the Group has developed a modern training system. This system not only helps the Group's employees to attain professional knowledge, more importantly, it enhances each employee's professional standard.

Due to the expected rapid development of the Group's business in 2013, the number of employees has increased significantly. As at 31 July 2013, the Group has 769 full time employees, the headcount was increased by 264 full time employees or 52% as compared to that of 505 full time employees as at 1 January 2013. The Group has recruited a number of experienced technical personnel as well as young talents from university fresh graduates fulfilling the Group's need for future business development. Recently, the Group has further strengthened the training program for fresh graduates and other young technical personnel for the Group's future business development.

In order to further enhance the technical knowledge in production enhancement (in particular the fracturing technologies of shale gas), we have engaged Professor Michael J. Economides to be the Global Chief Technology Advisor to hold technical trainings and conference for technical personnel of the Group and its customers.

Outlook

It is the Group's strategy to maintain a well balanced business development in both China and overseas markets in a medium to long term.

For the domestic China market, natural gas development in China will be the major focus of Chinese oilfield service providers with high-end competence and experience. We believe the recent favorable government policy on natural gas development (such as gas price hike) is likely to speed up the pace of both Chinese NOCs and other investors to invest in non conventional gas, such as tight gas and shale gas, which in turn will create more business opportunities for high-end oilfield service providers with reputable technical capability. The Group's recent success in the shale gas project bidding of the Xiu Shan project and tight gas projects of the Petrochina Changqing Oilfield Company and the Shaanxi Yanchang Petroleum Group respectively has further strengthened its belief that it has ample room for business expansion in gas related projects in China in the coming years. In the second half of 2013, the Group believes that tight gas will continue to be the major contributor for its revenue from the domestic market in China. Most of the shale gas projects from those first round or second round bidding winners are still in the early stage of planning or exploration, the Group believes that massive development of shale gas projects is unlikely to come until one or two years later.

For overseas markets, Chinese NOCs' overseas investments were still keen in 1H2013 and the Group have participated in biddings in various projects in the Middle East and Central Asia, and are actively following up with its customers' business development on their new projects in Australia and Canada, both the Group see as huge market potentials for the Group's products and/or services in the near future. On the other hand, its business development in Venezuela has gained further success in 1H2013. In addition to well completion services that the Group started with PDVSA in 2012, the Group have kicked-off the fieldwork operations of its production enhancement services for a gasfiled project in Venezuela. The Group aim to expand its service lines from well completion and production enhancement to directional/turbine drilling and surface engineering.

In light of the increasing demand of the Group's high end oilfield services, the Group has, after its successful IPO in March 2013, speeded up its planned business expansion for the next three years:

- Build research and development and manufacturing facilities in Huizhou
- Invest in research and development for new services and technologies including drilling, fracking and completion
- Acquire machineries and enhance production capacity for completion tools, fracking tools and surface control systems
- Acquire necessary tools and equipment to support fracking/coiled tubing and directional drilling services and introduce new technologies for fracking and drilling
- Manufacture its own turbine drilling tools and build its overseas drilling technology and services team, with the Middle East and South America as its first batch of overseas target markets

In order to cope with the increasing demand of the Group's oilfield services in the existing service lines, such as drilling and completion of deep, high pressure, high temperature and high H_2S wells, directional drilling and higher stage horizontal well fracking and multi-lateral completions, the Group has increased the total number of staff to 769 as at 31 July 2013, adding 264 staff or approximately 52% as compared to the total number of staff of 505 as at 1 January 2013. The Group's staff is the most important asset of the Group, which forms the foundation of its anticipated business expansion and stable growth.

Based on our past experience, the second half of a year is usually the more active season in a typical year and usually accounts for approximately 65% of the annual revenue. In anticipating the picking up in project progress in the second half of 2013 together with the planned project execution of tight gas horizontal well fracking by the Group's new customers in the Ordos basin, the Group believes its revenue from production enhancement of horizontal wells will continue to be the major revenue contributor in the second half of 2013. In addition, the Group has recently kicked-off its IPM services for two shale gas projects in Chonqing, which is likely to generate a significant amount of revenue in the second half of 2013. Furthermore, the Group believes that its project execution for overseas markets will be mainly from well completion and production enhancement projects in Venezuela and the Middle East. In light of the above, the Group is confident that it will achieve a stable development in business in the second half of 2013.

In view of the expected increase in oil and gas consumption in China and given that a great deal of less technical less challenging wells have already been explored and developed, it is anticipated that the number of technically challenging oil and gas fields (such as shale gas) to be explored and developed will increase in the future, and its customers are now more willing to engage professional oilfield service providers with reputable track record for the application of new and advanced technologies and technical solutions. The Group sees this healthy development of the market as an encouraging signal for it to continue to commit itself to becoming the leading Chinese oilfield service provider which focus on high-end oilfield services, providing its customers with the most cost effective technical solutions. The Group will continue to leverage its technologically leading position in the market, its recognised high-end oilfield service capabilities, proven experience in domestic and overseas operations, professional engineers with international project management exposure, strong in-house research and development and tools manufacturing capabilities, plus strong financial positions to put it in a significantly better position to capture new business opportunities in China and overseas and benefit from this growth.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue amounted to HK$495.7 million in the first half of 2013, representing a growth of approximately HK$186.0 million, or 60% as compared to HK$309.7 million in the same period of 2012. Such increase was mainly attributable to the growth of the well completion business in the oilfield project services. The revenue from the well completion business amounted to HK$214.0 million in the first half of 2013, representing approximately 36 times as compared to HK$6.0 million in the same period of 2012, as a result of rapid development of well completion business in Venezuela. The revenue attributable to manufacturing and sales of tools and equipment amounted to HK$75.2 million in the first half of 2013, representing a significant increase by approximately 284% as compared to HK$19.6 million in the same period of 2012, it was primarily due to the business growth of manufacturing subsidiaries.

Material costs

The Group's material costs increased by HK$47.0 million, or approximately 32%, from HK$144.9 million in the first half of 2012 to HK$191.9 million in the first half of 2013, which was in line with the increase in revenue.

Employee benefit expenses

In the first half of 2013, the Group's employee benefit expenses amounted to HK$68.4 million, which was approximately 2 times of such expenses of HK$32.0 million in the same period of 2012. The increase was mainly due to the fact that the number of the Group's employees has increased and their salary has risen.

Distribution expenses

In the first half of 2013, the Group's distribution expenses were HK$11.0 million, almost the same as the expenses in the same period of 2012 which was HK$10.9 million.

Technical service fee

In the first half of 2013, the technical service fee amounted to HK$48.0 million, representing an increase of HK$15.8 million, or approximately 49%, as compared to HK$32.2 million in the same period of 2012. Such increase was primarily due to the growth of well completion business.

Other expenses

Other expenses of the Group's operations were HK$29.1 million for the first half of 2013, representing an increase of HK$11.4 million, or approximately 64% as compared to HK$17.7 million in the same period of 2012, mainly due to the expansion of the Group's business scale.

Operating profit

As a result of the foregoing, the Group's operating profit has increased from HK$45.8 million for the first half of 2012 to HK$107.2 million for the same period of 2013, representing a growth of HK$61.4 million, or approximately 134%. The Group's operating profit margin for the first half of 2013 was approximately 22%, representing an increase of 7 percentage points as compared with approximately 15% for the same period of 2012. The improvement in operating margin was partly due to the cost the Group has saved by using its self-made tools and partly due to the drop in purchase price as a result of the Group's negotiations with suppliers.

Net Finance costs

Net finance costs in the first half of 2013 were HK$3.5 million and has remained stable as compared to HK$3.0 million in the same period of 2012.

Income tax expense

Income tax expense was HK$26.3 million for the first half of 2013, representing an increase of HK$11.3 million or approximately 75% as compared to HK$15.0 million for the same period of 2012, mainly because most of the operating profit in the first half of 2013 was derived from China where higher tax rate was applied as compared to overseas subsidiaries where lower tax rates were applied.

Net Profit for the period

As a result of the foregoing, the Group's net profit for the first half of 2013 was approximately HK$77.3 million, representing an increase of HK$1.7 million or approximately 2%, as compared with HK$75.6 million in the same period of 2012. Excluding the one-off gain of HK$47.7 million on disposal of a jointly controlled entity in 1H2012, the net profit for the period increased by 177% in 1H2013.

Profit attributable to owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company for the first half of 2013 was approximately HK$68.6 million, representing a decrease of HK$5.9 million or approximately 8% as compared with HK$74.5 million in the same period of 2012.

Property, plant and equipment

Property, plant and equipment consist of building, leasehold improvements, plant and machineries, motor vehicles, computer equipment, furniture and fixtures, and construction in progress. As at 30 June 2013, the Group's property, plant and equipment were HK$201.4 million, representing an increase of HK$44.3 million or approximately 28%, from HK$157.1 million at 31 December 2012. The increase was primarily due to purchases of new equipment and adding of new service bases for supporting the Group's business expansion.

Intangible assets

Intangible assets primarily consist of goodwill. The increase of intangible assets from approximately HK$571.6 million as at 31 December 2012 to approximately HK$573.3 million as at 30 June 2013 was mainly due to the purchase of an oilfield project service software.

Inventories

The Group's inventories increased from HK$163.3 million as at 31 December 2012 to HK$223.5 million as at 30 June 2013, representing an increase of HK$60.2 million, or approximately 37%. The increase of inventories was primarily due to the Group's business expansion. The average turnover days of inventories decreased from 182 days in 1H2012 to 181 days in 1H2013.

Trade receivables

As at 30 June 2013, the trade receivables were HK$750.2 million, representing an increase of HK$100.6 million or 15% as compared with HK$649.6 million as at 31 December 2012. The increase was in line with the substantial increase in revenue. The average turnover days of trade receivables were 254 days in 1H2013, an increase of 32 days as compared to 222 days in the same period of 2012.

The Group sets up a management committee led by its Chief Executive Officer in the second half of 2012, with emphasis on improving management in the collection of trade receivables. We set a specific trade receivables collection target for each sales region, which is a key performance benchmark for regional managers. In 1H2013, the Group has collected HK$459.5 million, representing an increase of HK$322.6 million or 236% as compared with the same period of 2012.

Trade payables

As at 30 June 2013, the trade payables were HK$218.5 million, representing a decrease of HK$79.7 million or 27% as compared with HK$298.2 million as at 31 December 2012. The decrease was primarily resulted from the fact that a considerable amount of trade payables as at 31 December 2012 had been settled as a number of relevant projects have been completed. The average turnover days of trade payables increased from 66 days in 1H2012 to 194 days in 1H2013, representing an increase of 128 days, which was mainly contributable to better terms for trade payables.

Liquidity, capital resources and capital management

The Group's primary objective of capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may obtain borrowings from financial institutions or related parties, issue new shares or sell assets. The Group reviews and analyses its trade payables, trade receivables and cash on a regular basis. The Group closely monitors its trade receivables and has established procedures to manage and control the recoverability of the trade receivables. The Group may also obtain bank borrowings if required.

As at 30 June 2013, the Group's cash and cash equivalents were approximately HK$706.2 million, representing an increase of HK$569.4 million as compared with HK$136.8 million as at 31 December 2012, mainly because of the fund raised from the Group's Initial Public Offering in Hong Kong ("IPO") in March 2013. The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 6 March 2013, the Company has issued 287,500,000 shares including over-allotment option and has raised net proceeds of HK$912.7 million.

As at 30 June 2013, the Group's bank borrowings was HK$262.8 million, and the Group has undrawn facilities of approximately HK$610.1 million under its banking facilities from its major banks.

As at 30 June 2013, the Group was in net cash position which was due to the net proceeds received from IPO, where the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 5% as at 31 December 2012.

The Group's equity attributable to the owners of the Company increased from approximately HK$1,052.6 million as at 31 December 2012 to approximately HK$2,027.5 million as at 30 June 2013. The increase was primarily due to the Group's profit generated in the first half of 2013 and equity capital raised in the IPO.

Foreign exchange risk

The Group mainly operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB, and with minimal amount of Venezuelan Bolivar ("VEF"). Foreign exchange risk arises from trade and other receivables, cash and cash equivalents, trade and other payables and bank borrowings in foreign currencies.

Contractual obligations

The Group's contractual obligations mainly include the capital expenditure commitments and the payment obligations under operating lease arrangements. The capital expenditure commitments mainly represent constructing contract for the Huizhou Base, which amounted to approximately HK$88.3 million as at 30 June 2013. The operating leases mainly include the lease of offices and warehouses. The Group's commitment under operating leases was approximately HK$32.6 million as at 30 June 2013.

Contingent liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities or guarantees, except for performance bond of HK$4.3 million.

Off-balance Sheet Arrangements

As at 30 June 2013, the Group did not have any off-balance sheet arrangements.

Effects of Discontinued operations and the one-off gain on financial result

Discontinued operations

In the first half of 2013, the Group did not recieve any revenue or profit from discontinued operations. In the same period of 2012, the Group's revenue and net profit from discontinued operations amounted to HK$36.8 million and HK$9.0 million respectively.

The one-off gain on disposal of a jointly controlled entity

There was a one-off gain of HK$47.7 million on the disposal of a jointly controlled entity in 1H2012. It was attributable to the increase of the Group's interests in the Sheraton Investment to approximately 51%, and the 45.5% equity interests in the Sheraton Investment held before the business combination was re-measured at fair value, which resulted in the one-off gain of HK$47.7 million.

Effects on financial result

The Group's net profit amounted to HK$77.3 million in the first half of 2013, representing a decrease of HK$7.3 million or approximately 9% as compared to HK$84.6 million in the same period of 2012, by taking into account the net profit from the discontinued operations and the one-off gain on the disposal of a jointly controlled entity.

The Group's profit attributable to owners of the company was approximately HK$68.6 million in 1H2013, representing a decrease of HK$14.9 million or approximately 18% as compared to HK$83.5 million for the same period of 2012, by taking into account the net profit from the discontinued operations and the one-off gain on the disposal of a jointly controlled entity.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report ("Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. As the shares of the Company were listed on the Stock Exchange on 6 March 2013 (the"Listing Date"), the Code Provisions were not applicable to the Company before 6 March 2013. Since the Listing Date to 30 June 2013, the Company has complied with the Code Provisions except for the following deviation:

Code A.2.1

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Jinlong ("Mr. Wang") is currently performing both roles of chairman and chief executive officer of the Group. Taking into account Mr. Wang's strong expertise in the oil and gas industry, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Wang will enable a more effective and efficient overall business planning, decision making and implementation by the Group. In order to maintain good corporate governance and fully comply with the Code Provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS' SECURITIES TRANSACTIONS

The directors of the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Company's directors. After specific enquiry with all members of the Board, the Company confirms that all directors have fully complied with the relevant standards stipulated in the Model Code during the reporting period.

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

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

USE OF PROCEEDS

The net proceeds from IPO, including those shares issued pursuant to the full exercise of the over-allotment option, after deducting underwriting fees and related expenses, amounted to approximately HK$912.7 million. As at 30 June 2013, HK$257.8 million was applied and mainly in the acquisition of a range of production enhancement related tools and equipment.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") which composes of three Independent Non-executive Directors, namely Mr. Wong Lap Tat Arthur (Chairman of the Audit Committee), Mr. He Shenghou and Mr. Tong Hin Wor. The unaudited interim condensed consolidated financial information has been reviewed by the Audit Committee of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this report, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

Our Company

Name of Director	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Wang Jinlong *(Note 2)*	Interest in a controlled corporation	327,410,414(L)	31.56%
Mr. Lee Tommy *(Note 3)*	Beneficiary of trust	340,774,104(L)	32.85%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. Mr. Wang holds approximately 41.19% of the issued share capital in King Shine Group Limited ("**King Shine**") and King Shine directly holds approximately 31.56% of the total number of issued shares of the Company. Therefore, Mr. Wang is taken to be interested in the number of Shares held by King Shine pursuant to Part XV of the SFO.

3. 63.99% of the total issued share capital of Termbray Industries International (Holdings) Limited ("**Termbray Industries**") is owned by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy) and the offspring of such children. Termbray Industries directly holds 100% of the issued share capital of Termbray Electronics (B.V.I.) Limited ("**Termbray Electronics (BVI)**") which in turn holds 100% of the issued share capital of Termbray Natural Resources Company Limited ("**Termbray Natural Resources**"). Therefore, Mr. Lee Lap, Mr. Lee Tommy, Lee & Leung (B.V.I.) Limited, First Trend Management (PTC) Limited, HSBC International Trustee Limited are taken to be interested in the number of Shares held by Termbray Natural Resources pursuant to Part XV of the SFO.

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANITAL SHAREHOLDERS

As at the date of this report, the following persons (other than a Director or chief executive of our Company) had an interest or a short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mr. Lee Lap *(Note 2)*	Settlor of a discretionary trust	340,774,104(L)	32.85%
First Trend Management (PTC) Limited *(Note 2)*	Trustee	340,774,104(L)	32.85%
HSBC International Trustee Limited *(Note 2)*	Trustee	340,774,104(L)	32.85%
Lee & Leung (B.V.I.) Limited *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	32.85%
Termbray Industries *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	32.85%
Termbray Electronics (BVI) *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	32.85%
Termbray Natural Resources	Registered owner	340,774,104(L)	32.85%
TCL Corporation *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	7.16%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
T.C.L. Industries Holdings (H.K.) Limited ("TCL HK") *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	7.16%
Excel Top Holdings Limited *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	7.16%
Jade Max Holdings Limited *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	7.16%
Jade Win Investment Limited	Beneficial owner	74,242,724(L)	7.16%
Ms. Zhou Xiaojun *(Note 4)*	Interest of spouse	327,410,414(L)	31.56%
King Shine	Registered owner	327,410,414(L)	31.56%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. 63.99% of the total issued share capital of Termbray Industries is owned by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Madam Leung Lai Ping, the children of Mr. Lee Lap and Madam Leung Lai Ping (including Mr. Lee Tommy) and the offspring of such children. Termbray Industries directly holds 100% of the issued share capital of Termbray Electronics (BVI) which in turn holds 100% of the issued share capital of Termbray Natural Resources. Therefore, Mr. Lee Lap, Mr. Lee Tommy, Lee & Leung (B.V.I.) Limited, First Trend Management (PTC) Limited, HSBC International Trustee Limited are taken to be interested in the number of Shares held by Termbray Natural Resources pursuant to Part XV of the SFO.

3. TCL Corporation directly holds 100% of the issued share capital of TCL HK, which in turn holds 100% of the issued share capital of Excel Top Holdings Limited, which in turn holds 100% of the issued share capital of Jade Max Holdings Limited, which in turn holds 100% of the issued share capital of Jade Win Investment Limited. Therefore, TCL Corporation, TCL HK, Excel Top Holdings Limited and Jade Max Holdings Limited are taken to be interested in the number of Shares held by Jade Win Investment Limited pursuant to Part XV of the SFO.

4. Ms. Zhou holds approximately 17.21% of the issued share capital in King Shine. Ms. Zhou is the spouse of Mr. Wang. Therefore, Ms. Zhou is deemed to be interested in the Shares in which Mr. Wang is interested for the purpose of the SFO.

Save as disclosed above, as at the date of this report, the Directors are not aware that there is any party (not being a Director) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme on 20 December 2010 (as supplemented and amended by an addendum on 25 September 2012). As at the date of this report, 42,244,108 share options have been granted under the Pre-IPO Share Option Scheme, none of which has been exercised by the grantees.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at the date of this report:

Grantee	Number of options granted at date of Listing	Options exercised since date of Listing	Options lapsed/cancelled since date of Listing	Options outstanding as at date of this report
Employees and senior management	42,244,108	—	—	42,244,108
Total	42,244,108	—	—	42,244,108

Save as disclosed above, at no time during the first six months of year 2013 and up to the date of this report was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

The principal terms of the Pre-IPO Share Option Scheme are summarised in the section headed "Pre-IPO Share Option Scheme" in Appendix V to the prospectus of the Company dated 22 February 2013 ("Prospectus").

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. As at the date of this report, no share options have been granted under the Scheme.

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Board may, at its discretion, grant an option to eligible participants to subscribe for the shares of the Company at a subscription price and subject to the other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 100,000,000 shares, being 10% of the total number of shares in issue at the time dealings in the shares first commenced on the Stock Exchange. The total number of shares issued and to be issued upon the exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

A share option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. There are neither any performance targets that need to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of options impose any conditions, restrictions or limitations in relation to the option as it may at its absolute discretion think fit. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

By Order of the Board
TERMBRAY PETRO-KING OILFIELD SERVICES LIMITED
Wang Jinlong
Chairman

Hong Kong, 23 August 2013

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF TERMBRAY PETRO-KING OILFIELD SERVICES LIMITED

(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 36 to 78, which comprises the interim condensed consolidated balance sheet of Termbray Petro-king Oilfield Services Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". The comparative condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month ended 30 June 2012 were not reviewed or audited. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2013

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2013 HK$	Audited As at 31 December 2012 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**201,363,178**	157,092,704
Intangible assets	*8*	**573,312,343**	571,619,992
Land use right	*8*	**12,009,341**	–
Prepayment for land use right	*11(b)*	**–**	11,325,756
Deferred tax assets		**2,665,000**	1,590,783
		789,349,862	741,629,235
Current assets			
Inventories		**223,519,092**	163,269,915
Trade receivables	*11(a)*	**750,168,465**	649,550,014
Other receivables, deposits and prepayments	*11(b)*	**105,877,769**	106,243,772
Pledged bank deposits		**80,323,831**	34,832,005
Cash and cash equivalents		**706,179,185**	136,810,868
		1,866,068,342	1,090,706,574
Total assets		**2,655,418,204**	1,832,335,809
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**1,567,573,528**	671,891,801
Other reserves		**61,075,804**	50,496,932
Retained earnings		**398,830,644**	330,214,537
		2,027,479,976	1,052,603,270
Non-controlling interests		**47,693,512**	38,234,999
Total equity		**2,075,173,488**	1,090,838,269

	Note	Unaudited As at 30 June 2013 HK$	Audited As at 31 December 2012 HK$
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**12,201,981**	11,821,404
		12,201,981	11,821,404
Current liabilities			
Trade payables	*14(a)*	**218,499,675**	298,241,083
Other payables and accruals	*14(b)*	**60,987,608**	198,961,762
Forward share exchange contract	*15*	**1,267,911**	1,335,185
Current income tax liabilities		**24,490,787**	32,448,603
Bank borrowings	*16*	**262,796,754**	198,689,503
		568,042,735	729,676,136
Total liabilities		**580,244,716**	741,497,540
Total equity and liabilities		**2,655,418,204**	1,832,335,809
Net current assets		**1,298,025,607**	361,030,438
Total assets less current liabilities		**2,087,375,469**	1,102,659,673

The notes on pages 43 to 78 are an integral part of this unaudited interim condensed consolidated financial information.

The financial information on pages 36 to 78 were approved by the Board of Directors on 23 August 2013 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2013 HK$	 2012 HK$
Continuing operations			
Revenue	*7*	**495,688,297**	309,723,807
Other income	*17*	**2,048,380**	3,084,305
Operating costs			
Material costs		**(191,885,093)**	(144,859,423)
Depreciation of property, plant and equipment	*8*	**(5,319,478)**	(2,273,913)
Amortisation of intangible assets	*8*	**(4,474,147)**	(3,353,199)
Operating lease rental		**(6,421,818)**	(3,495,951)
Employee benefit expenses		**(68,404,171)**	(32,034,109)
Distribution expenses		**(11,017,989)**	(10,909,326)
Technical service fee		**(48,011,213)**	(32,173,114)
Research and development expenses		**(7,594,504)**	(1,946,925)
Listing costs		**(5,432,892)**	(6,204,865)
Entertainment and marketing expenses		**(11,638,975)**	(5,394,451)
Other expenses	*18*	**(29,137,863)**	(17,669,720)
Other losses, net	*19*	**(1,230,069)**	(6,679,684)
Operating profit		**107,168,465**	45,813,432
Finance income	*21*	**1,388,237**	51,817
Finance costs	*21*	**(4,875,004)**	(3,057,574)
Finance costs, net		**(3,486,767)**	(3,005,757)
Share of loss of a jointly controlled entity	*10*	**–**	(43,226)
Gain on disposal of a jointly controlled entity	*27*	**–**	47,742,893
Profit before income tax		**103,681,698**	90,507,342
Income tax expense	*22*	**(26,337,986)**	(14,952,146)
Profit for the period from continuing operations		**77,343,712**	75,555,196
Discontinued operations			
Profit for the period from discontinued operations	*12*	**–**	9,015,819
Profit for the period		**77,343,712**	84,571,015
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**11,309,780**	(1,244,143)
Total comprehensive income for the period		**88,653,492**	83,326,872

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2013 HK$	2012 HK$
Profit for the period attributable to:			
Owners of the Company		**68,616,107**	83,480,691
Non-controlling interests		**8,727,605**	1,090,324
		77,343,712	84,571,015
Total comprehensive income for the period attributable to:			
Owners of the Company		**79,194,979**	82,369,089
Non-controlling interests		**9,458,513**	957,783
		88,653,492	83,326,872
Profit attributable to owners of the Company arises from:			
Continuing operations		**68,616,107**	74,464,872
Discontinued operations		**–**	9,015,819
		68,616,107	83,480,691
Total comprehensive income attributable to owners of the Company:			
Continuing operations		**79,194,979**	73,368,676
Discontinued operations		**–**	9,000,413
		79,194,979	82,369,089
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the period	*23*		
Basic earnings per share			
From continuing operations (HK cents)		**7**	10
From discontinued operations (HK cents)		**–**	1
Total		**7**	11
Diluted earnings per share			
From continuing operations (HK cents)		**7**	10
From discontinued operations (HK cents)		**–**	1
Total		**7**	11
Dividends	*24*	**–**	120,000,000

The notes on pages 43 to 78 are an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital HK$	Other reserves HK$	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2013	671,891,801	50,496,932	330,214,537	1,052,603,270	38,234,999	1,090,838,269
Total comprehensive income for the period ended 30 June 2013	–	10,578,872	68,616,107	79,194,979	9,458,513	88,653,492
Transactions with owners in their capacity as owners						
Capitalisation issue *(note 13)*	100	–	–	100	–	100
Issuance of shares *(note 13)*	895,681,627	–	–	895,681,627	–	895,681,627
Total transactions with owners	895,681,727	–	–	895,681,727	–	895,681,727
Balance at 30 June 2013	1,567,573,528	61,075,804	398,830,644	2,027,479,976	47,693,512	2,075,173,488

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital HK$	Other reserves HK$	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2012	662,644,041	47,689,553	273,100,684	983,434,278	19,561,171	1,002,995,449
Total comprehensive income for the period ended 30 June 2012	–	(1,111,602)	83,480,691	82,369,089	957,783	83,326,872
Transactions with owners in their capacity as owners						
Issuance of shares *(note 13)*	9,247,760	–	–	9,247,760	–	9,247,760
Dividend *(note 24)*	–	–	(120,000,000)	(120,000,000)	–	(120,000,000)
Capital injection from the non-controlling interest of a subsidiary	–	–	–	–	3,218,540	3,218,540
Non-controlling interests arising on business combination *(note 27)*	–	–	–	–	9,020,242	9,020,242
Total transactions with owners	9,247,760	–	(120,000,000)	(110,752,240)	12,238,782	(98,513,458)
Balance at 30 June 2012	671,891,801	46,577,951	236,581,375	955,051,127	32,757,736	987,808,863

The notes on pages 43 to 78 are an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$	HK$
Net cash used in operating activities	**(179,016,835)**	(59,622,490)
Net cash (used in)/generated from investing activities	**(93,196,106)**	23,801,302
Net cash generated from financing activities	**841,269,539**	40,103,436
Net increase in cash and cash equivalents	**569,056,598**	4,282,248
Cash and cash equivalents at beginning of period	**136,810,868**	72,633,116
Exchange gain on cash and cash equivalents	**311,719**	169,155
Cash and cash equivalents at end of period	**706,179,185**	77,084,519

The notes on pages 43 to 78 are an integral part of this unaudited interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Termbray Petro-king Oilfield Services Limited (the "Company") was incorporated in British Virgin Islands on 7 September 2007 as an exempted company with limited liability. The address of the Company's registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands.

The Company is an investment holding company and its subsidiaries (together "the Group") are principally engaged in the provision of oilfield technology and oilfield services covering various stages in the life of an oilfield including drilling, well completion and production enhancement with ancillary activities in trading and manufacturing of oilfield services related products.

This unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (HK$), unless otherwise stated. This unaudited interim condensed consolidated financial information was approved for issue on 23 August 2013.

This interim condensed consolidated financial information has been reviewed, not audited.

Key events

On 6 March 2013, the shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong (the "Hong Kong Stock Exchange"), pursuant to which 250,000,000 new shares were issued by the Company at HK$3.28 per share (the "Global Offering"). Pursuant to the full exercise of the over-allotment option granted by the Company in the Global Offering, a total of 37,500,000 new shares of the Company at HK$3.28 per share were allotted and issued by the Company on 28 March 2013. As a result, the number of total issued shares of the Company was increased to 1,037,500,000. Further details are given in note 13.

In June 2013, the Group entered into an agreement for the construction of a manufacturing plant in Huizhou for oilfield tools and equipment for a total consideration of HK$88,274,111.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2013 has been prepared in accordance with the International Accounting Standard ("IAS") 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Venezuela as a hyperinflationary economy

A Venezeulan subsidiary incorporated on 17 September 2012 commenced its operations in the current period. To date, a number of factors arose in the Venezuelan economy that triggered the adoption of the adjustments required by IAS 29 'Financial Reporting in Hyperinflationary Economies'. Within these factors it is worth highlighting the significance of the cumulative threshold of 100% over the past years, the restrictions to the official foreign exchange market and the devaluation of the Bolivar fuerte on 8 February 2013.

Pursuant to the requirements of IAS 29, the Venezuelan subsidiary which reports its financial statements in Bolivar Fuerte, i.e. currency of a hyperinflationary economy, should be stated in terms of the measuring unit current on the date of the financial statements. All balances that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All statement of comprehensive income components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognised in the financial statements. The restatement of the financial statement amounts was carried out using Venezuela's consumer price index (INPC). In June 2013, the index was 398.6 (285.5 in June 2012) and the year-over-year change in the index was 39.61%.

Pursuant to this standard, the 2012 figures should not be restated, and the Venezuelan subsidiary is required to adjust the historical cost of non-monetary assets and liabilities, and the statement of comprehensive income to reflect the changes in purchasing power of the currency caused by inflation.

In preparing the Group's consolidated financial information, all components of the financial statements of the Venezuelan subsidiary were translated at the official exchange rate, which at 30 June 2013 was 6.30 Bolivares Fuertes per U.S. dollar (or 1.2312 H.K. dollars per Bolivar Fuerte).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

		Effective for annual periods beginning on or after
IAS 19 (Revised 2011)	Employee benefits	1 January 2013
IAS 27 (Revised 2011)	Separate financial statements	1 January 2013
IAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangement	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013
IFRIC – Int 20	Stripping costs in the production phase of a surface mine (November 2011)	1 January 2013
Amendments to IAS 1	Presentation of financial statements on OCI	1 July 2012
Amendments to IFRS 1	First time adoption on government grants	1 January 2013
Amendments to IFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IFRS 10, 11 and 12	Transition guidance	1 January 2013
Improvements to IFRSs 2011	Several IFRS standards	1 January 2013

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

The Group has not applied any new standards and interpretations that are not yet effective for the current accounting period.

4 ESTIMATES

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

In preparing these interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated primarily from operating and financing activities.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial liability that is measured at fair value as at 30 June 2013.

	Level 1 HK$	**Level 2 HK$**	**Level 3 HK$**	**Total HK$**
Liability				
Financial liability at fair value through profit or loss				
Forward share exchange contract *(note 15)*	**–**	**–**	**1,267,911**	**1,267,911**

The following table presents the Group's financial liability that is measured at fair value as at 31 December 2012.

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Liability				
Financial liability at fair value through profit or loss				
Forward share exchange contract *(note 15)*	–	–	1,335,185	1,335,185

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: nil).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The fair value of the forward share exchange contract is determined by using valuation techniques based on the fair value of the issued shares and equity interests in Sheraton Investment Worldwide Ltd. ("Sheraton"). The Group makes assumptions that are based on market conditions existing at each balance sheet date. The valuation of the issued shares and further acquired interests were determined using the income approach based on free cash flow valuation method.

The following table presents the changes in the forward share exchange contract for the six months ended 30 June 2013.

	HK$
Balance at 1 January 2013	1,335,185
Fair value changes recognised in consolidated profit or loss *(note 19)*	(67,274)
Balance at 30 June 2013	1,267,911

The balance represents the fair value of the outstanding forward contract related to the third tranche of the acquisition.

The discount rate used to compute the fair value is 17.2%. If the discount rate applied to value the derivative shifted +/- 5%, the impact on profit or loss would be HK$2,102,000 lower or HK$4,318,000 higher. The higher the discount rate, the lower the fair value.

There were no changes in valuation techniques during the period.

6 SEASONAL NATURE OF THE BUSINESS

For most of the Group's businesses, and particularly the oilfield business, the first half of the financial period is marked by lower business volumes than in the second half of the year as most of the customers, particularly state-owned enterprises, set annual budgets and finalise work scope early in the year and request work to be done later in the year, particularly in the third and fourth quarter. The seasonality was also due to the fact that the weather conditions of some regions where the Group operates were too cold for oilfield operations in the winter which also restricted the Group's operations in the first half of the year.

Sales levels and results in the first half cannot therefore be extrapolated to the full financial year.

The seasonal nature of business is reflected in a net use of cash over the first half of the year, due to the low level of cash receipts during the period, most of which are generated in the second half of the year.

7 SEGMENT INFORMATION

The 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 these reports.

The Group's operating segments, which are also the reportable segments, are entity or group of entities that offer different products and services. They are also managed according to different nature of products and services. Most of these entities engaged in one single business, except for a few entities which deal with diversified operations. 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 reporting segments: oilfield project services, consultancy services and manufacturing and sales of tools and equipment. These reporting segments comprise respective services performed in these areas and related ancillary trading and manufacturing activities.

7 SEGMENT INFORMATION (CONTINUED)

(a) Revenue

Revenue recognised during the six months ended 30 June 2013 and 2012 is as follows:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Oilfield project services		
– Drilling	**28,994,038**	79,244,751
– Well completion	**213,957,736**	5,975,587
– Production enhancement	**158,861,872**	190,080,139
Total oilfield project services	**401,813,646**	275,300,477
Consultancy services		
– Integrated project management services	**–**	9,071,441
– Supervisory services	**18,711,077**	5,793,626
Total consultancy services	**18,711,077**	14,865,067
Manufacturing and sales of tools and equipment	**75,163,574**	19,558,263
Revenue from continuing operations	**495,688,297**	309,723,807
Discontinued operations		
Oilfield project services		
– Drilling	**–**	5,219,754
– Well completion	**–**	16,180,372
Total oilfield project services	**–**	21,400,126
Consultancy services		
– Integrated project management services	**–**	15,360,077
Revenue from discontinued operations	**–**	36,760,203
Total revenue	**495,688,297**	346,484,010

The measurement of profit and loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the reportable segments based on a measure of revenue and revenue less all directly attributable costs.

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the six months ended 30 June 2013 is as follows:

	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Total HK$
Six months ended 30 June 2013				
Total segment revenue	401,813,646	18,711,077	117,980,037	538,504,760
Inter-segment revenue	–	–	(42,816,463)	(42,816,463)
Revenue from external customers	401,813,646	18,711,077	75,163,574	495,688,297
Segment results	190,880,232	8,678,769	12,360,479	211,919,480
Net unallocated expenses				(108,237,782)
Profit before income tax				103,681,698
Other information:				
Amortisation	(186,247)	–	(4,263,099)	(4,449,346)
Depreciation	(1,998,060)	–	(2,036,608)	(4,034,668)

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information for the six months ended 30 June 2012 is as follows:

	Continuing operations				Discontinued operations		
	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Total HK$	Oilfield project services HK$	Consultancy services HK$	Total HK$
Six months ended 30 June 2012							
Total segment revenue	275,300,477	14,865,067	19,600,584	309,766,128	21,400,126	15,360,077	36,760,203
Inter-segment revenue	–	–	(42,321)	(42,321)	–	–	–
Revenue from external customers	275,300,477	14,865,067	19,558,263	309,723,807	21,400,126	15,360,077	36,760,203
Segment results	109,814,482	7,963,640	42,354,458	160,132,580	12,821,126	9,033,827	21,854,953
Net unallocated expenses				(69,625,238)			(11,057,565)
Profit before income tax				90,507,342			10,797,388
Other information:							
Amortisation	–	–	(3,270,840)	(3,270,840)	–	–	–
Depreciation	(1,473,939)	–	(175,296)	(1,649,235)	(728,626)	–	(728,626)
Share of loss of a jointly controlled entity	–	–	(43,226)	(43,226)	–	–	–

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets as at 30 June 2013 and 31 December 2012 are as follows:

	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Total HK$
As at 30 June 2013				
Segment assets	**1,402,998,493**	**131,566,775**	**331,406,430**	**1,865,971,698**
Unallocated assets				**789,446,506**
Total assets				**2,655,418,204**
As at 31 December 2012				
Segment assets	1,292,401,114	130,771,726	243,475,804	1,666,648,644
Unallocated assets				165,687,165
Total assets				1,832,335,809

The segment results included material costs, technical service fee, depreciation, amortisation, distribution expenses, share of loss of a jointly controlled entity, gain on disposal of a jointly controlled entity, fair value change on financial derivative instrument and direct labour costs allocated to each operating segment.

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

Segment assets included property, plant and equipment, land use right, intangible assets, deferred tax assets, inventories, trade and other receivables and prepayments, pledged bank deposits and cash and cash equivalents.

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

A reconciliation of segment results for continuing operations to total profit before income tax from continuing operations is provided as follows:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Segment results for continuing operations	**211,919,480**	160,132,580
Other income	**2,048,380**	3,084,305
Material costs	**(3,886,428)**	(2,648,027)
Depreciation of property, plant and equipment	**(1,284,810)**	(624,678)
Amortisation of intangible assets	**(24,801)**	(82,359)
Operating lease rental	**(4,714,694)**	(3,495,951)
Employee benefit expenses	**(41,127,258)**	(25,271,731)
Distribution expenses	**(10,277,927)**	(10,909,326)
Research and development expenses	**(7,562,343)**	(1,946,925)
Listing costs	**(5,432,892)**	(6,204,865)
Entertainment and marketing expenses	**(10,519,203)**	(5,394,451)
Other expenses	**(21,214,550)**	(12,647,892)
Other losses, net	**(1,297,343)**	(477,581)
Finance income	**817,563**	51,817
Finance costs	**(3,761,476)**	(3,057,574)
Profit before income tax from continuing operations	**103,681,698**	90,507,342

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Geographical information

The following table shows revenue generated from segments of oilfield project services and consultancy services by geographical area according to location of the customers' oilfields and revenue generated from segment of manufacturing and sales of tools and equipment by geographical area according to location of the customers:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Mainland China	**241,692,612**	278,359,888
Venezuela	**240,497,863**	–
Others *(note)*	**13,497,822**	31,363,919
	495,688,297	309,723,807
Discontinued operations		
Iran	**–**	31,304,737
Syria	**–**	5,455,466
	–	36,760,203
	495,688,297	346,484,010

Note: Other countries mainly include Russia and the United Arab Emirates.

7 SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

During the six months ended 30 June 2013, revenue from two customers (2012: one) of the oilfield project services segment amounted to 10% or more of the Group's total consolidated revenue for the period. The revenues of these customers of the oilfield project services segment during the relevant periods are summarised below:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Customer 1	**168,109,885**	288,055,965
Customer 2	**240,497,863**	–
	408,607,748	288,055,965

8 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LAND USE RIGHT

	Property, Plant and equipment HK$	Intangible assets HK$	Land use right HK$
Six months ended 30 June 2013			
Net book value			
Opening amount as at 1 January 2013	**157,092,704**	**571,619,992**	**–**
Additions	**49,083,359**	**5,629,981**	**11,325,756**
Depreciation and amortisation	**(5,319,478)**	**(4,474,147)**	**–**
Monetary correction for hyperinflation	**465,857**	**–**	**–**
Transferred in/(out)	**120,328**	**–**	**(120,328)**
Disposals	**(638,100)**	**–**	**–**
Exchange differences	**558,508**	**536,517**	**803,913**
Closing amount as at 30 June 2013	**201,363,178**	**573,312,343**	**12,009,341**
Six months ended 30 June 2012			
Net book value			
Opening amount as at 1 January 2012	20,723,244	525,928,146	–
Acquisition of a subsidiary *(note 27)*	9,053,505	56,830,886	–
Additions	10,065,141	–	–
Depreciation and amortisation	(3,002,539)	(3,353,199)	–
Disposals	(17,021)	–	–
Exchange differences	(65,391)	(161,485)	–
Closing amount as at 30 June 2012	36,756,939	579,244,348	–

The depreciation for the six months ended 30 June 2013 comprises HK$5,319,478 (30 June 2012: HK$2,273,913) and HK$nil (30 June 2012: HK$728,626) from continuing operations and discontinued operations, respectively.

9 INVESTMENT IN AN ASSOCIATE

Investment in an associate represented the investment of 49% equity interest in Iranian Refinement Development Premier Co., Ltd., which is an unlisted and a limited liability company incorporated in Iran.

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Beginning of the period	–	1,102,297
Share of loss	–	(486,516)
End of the period	–	615,781

On 9 November 2012, Iranian Refinement Development Premier Co., Ltd. was sold to an independent third party pursuant to the sale and purchase agreement for the disposal of Top Select Holdings Limited, its immediate holding company.

The particulars of the associate of the Group, which is unlisted, and the Group's share of its results and aggregated assets and liabilities for the six months ended 30 June 2012, are set out at as follows:

	Country of incorporation	**Assets**	**Liabilities**	**Revenue**	**Loss**	**Interest held**
		HK$	HK$	HK$	HK$	
Iranian Refinement Development Premier Co., Ltd.	Iran					
Six months ended 30 June 2012 (unaudited)		9,181,860	9,644,322	862,123	(486,516)	49%

10 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Investment in a jointly controlled entity represented the investment in 45.5% equity interest in Sheraton, which is an unlisted and a limited liability company incorporated in the British Virgin Islands.

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Beginning of the period	–	1,639,730
Share of loss	–	(43,226)
Disposal *(note 27)*	–	(1,596,504)
End of the period	–	–

Pursuant to the agreement in relation to the subscription and sale and purchase of shares of Sheraton dated 24 January 2011, Hero Gain Investments Limited ("Hero Gain"), a wholly-owned subsidiary of the Company, agreed to purchase and subscribe for up to 55% interest in Sheraton from Natural Peak Overseas Limited ("Natural Peak") in 4 tranches. On 11 February 2011, it subscribed 40% interest in Sheraton and an additional 15% interest in Sheraton would be acquired in three tranches. On 30 April 2011, Hero Gain further acquired 5.5% equity interest in Sheraton, and subsequent to the first tranche of the acquisition, an additional 5.5% equity interest in Sheraton was acquired on 21 June 2012. Upon completion of second tranche, The Group's interest in Sheraton increased from 45.5% to 51% and Sheraton became a subsidiary of the Group (note 27).

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Trade receivables	**752,110,934**	649,550,014
Less: Provision for impairment of trade receivables	**(1,942,469)**	–
	750,168,465	649,550,014

As at 30 June 2013 and 31 December 2012, ageing analysis of net trade receivables by services completion and delivery date are as follows:

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Up to 3 months	**457,855,485**	507,777,922
3 to 6 months	**24,350,355**	41,524,254
6 to 12 months	**235,194,777**	46,135,477
Over 12 months	**32,767,848**	54,112,361
	750,168,465	649,550,014

Before accepting any new customers, the Group entities apply an internal credit assessment policy to assess the potential customer's credit quality. Management closely monitors the credit quality of trade receivables and considers that the trade receivables to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults. The Group generally allows a credit period ranged from 30 to 180 days after invoice date to its customers.

As at 30 June 2013, bank borrowings are secured by certain trade receivables with an aggregate carrying value of approximately HK$128,251,255 (As at 31 December 2012: HK$104,336,000) (note 16).

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Other receivables		
– Third parties	**5,321,402**	8,781,476
– Related party *(note 28(d))*	**–**	2,000
Value-added tax recoverables	**36,335,052**	24,448,560
Rental deposits	**2,876,589**	1,289,271
Cash advances to staff	**12,900,207**	14,863,145
Prepayments for materials and technical service fee		
– Third parties	**44,363,748**	49,104,970
Prepayments for rents and others	**4,080,771**	1,784,026
Prepayment for land use right *(note (i))*	**–**	11,325,756
Deferred expenses	**–**	5,970,324
	105,877,769	117,569,528
Less: Non-current prepayment for land use right *(note (i))*	**–**	(11,325,756)
	105,877,769	106,243,772

Note (i):

The non-current prepayment as at 31 December 2012 represented HK$11,325,756 paid in respect of the acquisition of land use right in Huizhou. The acquisition was completed in January 2013.

12 DISCONTINUED OPERATIONS

In order to protect the Group from the exposure to risks of unexpected changes in the relevant sanctions, laws and regulations in relation to the operations in Iran and Syria, two of the major geographical areas of the operations in the past, the Group has refrained from these operations, which are considered as discontinued operations, starting in November 2012.

(a) Analysis of the result of the discontinued operations is as follows:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Revenue	–	36,760,203
Expenses	–	(25,476,299)
Share of loss of an associate	–	(486,516)
Profit before tax of discontinued operations	–	10,797,388
Income tax expense	–	(1,781,569)
Profit for the period from discontinued operations	–	9,015,819
Other comprehensive loss		
Currency translation difference	–	(15,406)
Total comprehensive income for the period from discontinued operations	–	9,000,413

(b) Cash flows from discontinued operations are as follows:

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Operating cash flows	–	23,797,584
Investing cash flows	–	(2,756,240)
Total cash flows	–	21,041,344

13 SHARE CAPITAL

	Number of shares	Total HK$
Issued and fully paid:		
Opening balance at 1 January 2013	10,102	671,891,801
Capitalisation issue *(note (i))*	749,989,898	100
Issuance of shares for Global Offering *(note (ii))*	250,000,000	820,000,000
Issuance of shares of the over-allotment option in the Global Offering *(note (iii))*	37,500,000	123,000,000
Share issuance costs	–	(47,318,373)
At 30 June 2013	1,037,500,000	1,567,573,528
Opening balance at 1 January 2012	10,000	662,644,041
Issuance of shares *(note (iv))*	102	9,247,760
At 30 June 2012	10,102	671,891,801

The Company was incorporated on 7 September 2007 with authorised shares of 42,000 voting shares and 8,000 non-voting shares with no par value. The number of authorised shares of the Company subsequently increased to 10,000,000,000 voting shares upon Global Offering. As at 30 June 2013, the authorised number of ordinary share of the Company is 10,000,000,000 shares with no par value, and the number of issued shares is 1,037,500,000.

Note (i):

Subsequent to the Global Offering took place on 6 March 2013, the Company capitalised an amount of HK$100 from the amount standing to the credit of share capital account of the Company and that the said sum be applied in paying up in full 749,989,898 shares.

Note (ii):

On 6 March 2013, the Company issued 250,000,000 new shares of HK$3.28 each in relation to the Global Offering. The gross proceeds received by the Company from the Global Offering amounted to approximately HK$820,000,000.

Note (iii):

Pursuant to full exercise of the over-allotment option granted by the Company in the Global Offering, a total of 37,500,000 new shares of the Company were allotted and issued by the Company on 28 March 2013 at HK$3.28 per share. The gross proceeds received by the Company from the over-allotment option amounted to approximately HK$123,000,000.

Note (iv):

On 21 June 2012, the Company issued 102 shares in exchange for the 5.5% interest in Sheraton with Natural Peak with regards of the second tranche of the acquisition of Sheraton (note 27).

14 TRADE AND OTHER PAYABLES

(a) Trade payables

As at 30 June 2013, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Up to 1 month	**111,862,065**	97,412,937
1 to 2 months	**29,728,514**	157,960,040
2 to 3 months	**15,555,228**	21,994,546
Over 3 months	**61,353,868**	20,873,560
	218,499,675	298,241,083

(b) Other payables and accruals

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Dividend payable	**–**	120,000,000
Other payables		
– Third parties	**19,467,291**	21,527,155
– Related party *(note 28(d))*	**19,690**	27,080
Receipt in advance	**6,066,396**	5,212,737
Accrued expenses		
– Payroll and welfare	**15,342,744**	17,818,099
– Others	**5,695,692**	7,286,802
Value-added tax payable	**7,376,316**	18,641,049
Other tax and surcharge payables	**7,019,479**	8,448,840
	60,987,608	198,961,762

15 FORWARD SHARE EXCHANGE CONTRACT

	As at 30 June 2013 HK$	As at 31 December 2012 HK$
Forward share exchange contract	**1,267,911**	1,335,185

The Group entered into a sale and purchase agreement on 24 January 2011 pursuant to which they agreed to acquire total of 55% equity interest in Sheraton in stages. The contractual agreement to acquire additional interests from 40% to 55% in Sheraton in three tranches represents forward share exchange contracts and is accounted for as a derivative financial instrument. The forward share exchange contracts in relation to the achievement of 45.5% and 51% equity interest in Sheraton were exercised throughout 2011 and 2012 when the Group further acquired equity interests in Sheraton. The balances as at 30 June 2013 and 31 December 2012 represent the fair value of the forward share exchange contract in relation to the third tranche which will be settled when the Group acquires the remaining 4% interest in Sheraton to reach the 55% ownership.

16 BANK BORROWINGS

	As at 30 June 2013 HK$	As at 31 December 2012 HK$
Current	**262,796,754**	198,689,503

Movements in borrowings are analysed as follows:

	HK$
Six months ended 30 June 2013	
Opening amounts as at 1 January 2013	**198,689,503**
Proceeds from borrowings	**437,300,459**
Repayments of borrowings	**(371,074,719)**
Exchange differences	**(2,118,489)**
Closing amount as at 30 June 2013	**262,796,754**
Six months ended 30 June 2012	
Opening amounts as at 1 January 2012	103,328,522
Proceeds from borrowings	128,404,847
Repayments of borrowings	(88,987,978)
Exchange differences	(556,800)
Closing amount as at 30 June 2012	142,188,591

16 BANK BORROWINGS (CONTINUED)

Interest expense on bank borrowings for the six months ended 30 June 2013 is HK$6,476,624 (30 June 2012: HK$3,470,325).

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Floating rate		
– Expiring within one year	**610,080,132**	168,007,047

As at 30 June 2013, bank borrowings are secured by certain trade receivables (note 11) and pledged bank deposits amounting to HK$75,946,959 (As at 31 December 2012: HK$34,570,468) and guaranteed by certain group companies.

17 OTHER INCOME

	Six months ended 30 June	
	2013 HK$	2012 HK$
Agency fee income *(note (i))*	**1,223,748**	2,831,337
Others	**824,632**	252,968
	2,048,380	3,084,305

Note (i):

This amount represents commission received from other oilfield services providers for introducing product suppliers to them and commission received from suppliers for introduction of their products to the customers.

18 OTHER EXPENSES

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Auditor's remuneration	**524,739**	245,585
Communications	**838,092**	353,495
Professional service fees	**1,713,981**	190,057
Motor vehicle expenses	**2,216,548**	2,361,302
Travelling	**11,402,176**	4,661,020
Insurance	**296,069**	154,741
Office utilities	**5,390,103**	2,728,067
Other tax-related expenses and custom duties (note (i))	**2,042,408**	5,937,503
Provision for impairment of trade receivable	**1,942,469**	–
Others	**2,771,278**	1,037,950
	29,137,863	17,669,720
Discontinued operations		
Auditor's remuneration	**–**	68,830
Communications	**–**	99,074
Professional service fees	**–**	53,268
Motor vehicle expenses	**–**	281,769
Travelling	**–**	1,417,085
Insurance	**–**	43,370
Office utilities	**–**	764,598
Other tax-related expenses and custom duties *(note (ii))*	**–**	1,508,649
Others	**–**	280,781
	–	4,517,424
	29,137,863	22,187,144

Notes:

(i) Other tax-related expenses comprise mainly stamp duty and business tax.

(ii) Other tax-related expenses comprise mainly stamp duty, business tax and tax paid to social security organisation in Iran.

19 OTHER LOSSES, NET

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Foreign exchange losses	**(1,237,321)**	(822,370)
Loss on disposals of property, plant and equipment	**(60,022)**	(16,519)
Fair value change on financial derivative instrument	**67,274**	(5,811,663)
Others	**–**	(29,132)
	(1,230,069)	(6,679,684)
Discontinued operations		
Foreign exchange losses	**–**	(103,023)
	(1,230,069)	(6,782,707)

20 SHARE-BASED PAYMENTS

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share HK$	**Number of share options**
As at 30 June 2013 and 2012	0.92	42,244,108

All of the 42,244,108 outstanding options were exercisable at 30 June 2013 (2012: same). All of the share options outstanding will expire in 2015.

21 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Interest expenses:		
– Bank borrowings wholly repayable within five years	**(6,476,624)**	(3,102,141)
– Net foreign exchange gains on financing activities	**1,601,620**	44,567
Finance costs	**(4,875,004)**	(3,057,574)
Finance income:		
– Interest income from bank deposits	**415,065**	51,817
– Gain on the net monetary position	**973,172**	–
Finance income	**1,388,237**	51,817
Net finance costs from continuing operations	**(3,486,767)**	(3,005,757)
Discontinued operations		
Interest expenses:		
– Bank borrowings wholly repayable within five years	**–**	(368,184)
– Net foreign exchange gains on financing activities	**–**	5,290
Finance costs	**–**	(362,894)
Finance income:		
– Interest income on from bank deposits	**–**	6,150
Finance income	**–**	6,150
Net finance costs from discontinued operations	**–**	(356,744)
Net finance costs	**(3,486,767)**	(3,362,501)

22 INCOME TAX EXPENSE

The Company is incorporated in the B.V.I. and under the current B.V.I. tax regime, is not subject to income tax.

For the Company's subsidiaries, income tax is provided on the basis of their profits for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for PRC subsidiaries of the Group was 25% for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 25%), based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates. The subsidiaries established in Hong Kong and overseas are subject to 16.5% (2012: 16.5%) and at the rates of taxation prevailing in the countries in which the Group's subsidiaries operates respectively.

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Continuing operations		
Current tax		
– Hong Kong profits tax	**9,752,957**	1,354,607
– PRC enterprise income tax	**17,850,541**	16,582,763
	27,603,498	17,937,370
Over provision in prior year		
– PRC enterprise income tax	**(564,033)**	–
Deferred income tax	**(701,479)**	(2,985,224)
Income tax expense from continuing operations	**26,337,986**	14,952,146
Discontinued operations		
Current tax		
– Hong Kong profits tax	**–**	1,781,569
Income tax expense from discontinued operations	**–**	1,781,569
Income tax expense	**26,337,986**	16,733,715

23 EARNINGS PER SHARE FOR THE PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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

	Six months ended 30 June	
	2013	2012
Profit from continuing operations attributable to owners of the Company (HK$)	**68,616,107**	74,464,872
Profit from discontinued operations attributable to owners of the Company (HK$)	**–**	9,015,819
Weighted average number of ordinary shares in issue (number of shares)	**932,219,142**	750,416,086
Basic earnings per share from continuing operations (HK cents)	**7**	10
Basic earnings per share from discontinued operations (HK cents)	**–**	1

23 EARNINGS PER SHARE FOR THE PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

(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's sole category of dilutive potential ordinary shares are the share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using discounted cash flow model) 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.

	Six months ended 30 June	
	2013	2012
Profit from continuing operations attributable to owners of the Company (HK$)	**68,616,107**	74,464,872
Profit from discontinued operations attributable to owners of the Company (HK$)	**–**	9,015,819
Weighted average number of ordinary shares in issue (number of shares)	**932,219,142**	750,416,086
Adjustment for:		
– Share options	**34,693,837**	21,100,943
– Contingently issuable shares *(note)*	**248,359**	–
Weighted average number of ordinary shares for diluted earnings per share	**967,161,338**	771,517,029
Diluted earnings per share from continuing operations (HK cents)	**7**	10
Diluted earnings per share from discontinued operations (HK cents)	**–**	1

Note:

The contingently issuable shares represent the share exchange in respect of the further acquisition of 4% interest in Sheraton Investment Worldwide Ltd. ("Sheraton") where the conditions governing exercisability have been satisfied as at the end of the reporting period.

The basic and diluted earnings per share for the six months ended 30 June 2012 have taken into account the share capitalisation issue which took place upon the completion of the Global Offering. The weighted average number of shares outstanding was retrospectively increased to reflect the proportionate ratio between the number of shares before and after the capitalisation issue.

24 DIVIDENDS

A dividend of HK$120,000,000 that relates to the years ended 31 December 2009 and 2010 was paid in March 2013 (2012: nil).

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: nil).

25 CONTINGENCIES

	As at	
	30 June 2013	31 December 2012
	HK$	HK$
Performance bonds	**4,268,415**	–

Performance bonds related to the guarantees provided by the banks to the Group's customers in respect of the oilfield project services or consultancy services in certain overseas projects. In the event of non-performance, the customers might call upon the performance bonds and the Group would be liable to the banks in respect of the performance bonds provided.

26 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the balance sheet date are as follows:

	As at	
	30 June 2013 HK$	31 December 2012 HK$
Land use right		
– Authorised but not contracted for	**–**	24,700,000
Property, plant and equipment		
– Contracted but not provided for	**88,274,111**	–

(b) Operating lease commitments – group company as lessee

The Group leases various offices, residential properties and warehouses under non-cancellable operating lease agreements. The lease terms are between one and ten years, and the majority of the lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2013 HK$	31 December 2012 HK$
No later than 1 year	**11,485,593**	12,359,358
Later than 1 year and no later than 5 years	**15,392,088**	13,335,707
Later than 5 years	**5,716,463**	–
	32,594,144	25,695,065

27 BUSINESS COMBINATIONS

Acquisition of Sheraton Investment Worldwide Ltd.

On 21 June 2012, Hero Gain further acquired 5.5% equity interest in Sheraton in consideration of the issuance of 102 shares of the Company to Natural Peak. As a result, the Group reached ownership of 51% equity interest from 45.5% equity interest in Sheraton and gained the power to govern the financial and operating policies in Sheraton, thus Sheraton turned from being a jointly controlled entity into a subsidiary since 21 June 2012.

As a result of its further acquisition, the Group is expected to further expand its know-how in manufacturing and sales of oilfield project tools and equipment. The goodwill of HK$44,722,264 arising from the acquisition is attributable to economies of scale expected and operational synergies from combining the operations of the Group and Sheraton. In view of its overseas operation, the Group is also expected to increase its presence in oilfield market. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Sheraton, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

	HK$
Purchase consideration:	
– Share issued in exchange *(note (i))*	9,247,760
– Fair value of previous interest in the acquiree	49,339,397
– Forward share exchange contract for acquisition of additional equity interest *(note (ii))*	(4,476,478)
Total purchase consideration	54,110,679

Notes:

(i) The fair value of the 102 ordinary shares issued as part of the consideration paid for Sheraton amounting to HK$9,247,760 was based on the valuation prepared by an independent valuer on 30 June 2012.

(ii) The forward share exchange contract was initially recognised for the Company's obligation to acquire the further 15% ownership in Sheraton in 3 tranches. The amount of HK$4,476,478 represents the fair value of the forward share exchange contract related to the agreement to increase the ownership from 45.5% to 51% (from jointly controlled entity to subsidiary) at the date of acquisition and is thus included in the purchase consideration. The balance of HK$1,267,911 (as at 31 December 2012: HK$1,335,185) in the balance sheet as at 30 June 2013 represents the fair value of the forward share exchange contract related to the obligation to acquire the remaining 4% ownership in Sheraton which will be completed at a later stage. For details on the forward share exchange contracts and fair value measurement refer to note 15 and note 5.3.

27 BUSINESS COMBINATIONS (CONTINUED)

	Provisional fair value
	HK$
Property, plant and equipment *(note 8)*	9,053,505
Intangible assets *(note 8)*	6,351
Deferred tax assets	479,418
Inventories	8,944,733
Trade and other receivables, and prepayments	7,217,910
Cash and cash equivalents	2,885,164
Trade and other payables	(19,768,489)
Deferred tax liabilities	(258,083)
Incomplete sales contracts *(note 8)*	1,722,171
Contractual customer relationships *(note 8)*	10,380,100
Deferred tax liabilities from identification of intangible assets	(2,254,123)
Total identifiable net assets	18,408,657
Non-controlling interest	(9,020,242)
Goodwill *(note 8)*	44,722,264
Total purchase consideration	54,110,679

Gain on revaluation of previously held ownership interest in entities acquired in step acquisition:

	HK$
Carrying amount of previously held ownership	(1,596,504)
Fair value of previously held ownership interest	49,339,397
Gain	47,742,893

The fair value of the non-controlling interest in Sheraton, an unlisted company, was estimated by using the fair value of net assets acquired, based on the proportional method, of 49% stake in Sheraton.

The Group recognised a gain of HK$47,742,893 as a result of measuring at fair value its 45.5% equity interest in Sheraton held before the business combination. The gain is included in the Group's consolidated statement of comprehensive income for the six months ended 30 June 2012.

Had Sheraton been consolidated from 1 January 2012, the revenue and net profit for both continuing and discontinued operations of the Group for the six months ended 30 June 2012 would have been HK$366,523,225 and HK$84,431,180, respectively.

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or excise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during each of the six months ended 30 June 2013 and 2012, and balances arising from related party transactions as at 30 June 2013 and 31 December 2012.

Name	**Relationships**
Mr. Wang JinLong	Key management
Termbray Natural Resources Company Limited	Equity holder of the Company
King Shine Group Limited	Equity holder of the Company
Termbray Electronics (B.V.I.) Limited	Controlled by equity holders of the Company
Sheraton Investment Worldwide Ltd.	Jointly controlled entity (turned into a subsidiary since 21 June 2012)
Iranian Refinement Development Premier Co., Ltd.	Associate (disposed in November 2012)

During the six months ended 30 June 2013, the Group carried out the following transactions with the related parties:

(a) Sales of goods

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Sales of goods:		
– Jointly controlled entity	**–**	92,866

Goods are sold based on the price lists in force and terms that would be available to third parties.

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Purchases of goods

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Purchases of goods:		
– Jointly controlled entity	**–**	11,035,222

Goods are purchased on normal commercial terms and conditions.

(c) Key management compensation

Key management compensation amounted to HK$4,696,176 for the six months ended 30 June 2013 (30 June 2012: HK$3,128,000). See below.

	Six months ended 30 June	
	2013	2012
	HK$	HK$
Salaries and other short-term employee benefits	**4,696,176**	3,128,000

(d) Balances with related parties

	As at	
	30 June 2013	31 December 2012
	HK$	HK$
Amounts due to related parties *(note (i))*	**(19,690)**	(25,080)
Amount due to shareholders	**–**	(120,000,000)

As at 30 June 2013 and 31 December 2012, the balances are interest-free, unsecured, receivable/repayable on demand and approximate to their fair values.

Note (i): The balances primarily represent cash advance from and expenses paid on behalf by a director, Wang JinLong.