TERMBRAY PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2178

Annual Report 2013

Petro-king
百勤油服

CONTENTS

FINANCIAL HIGHLIGHTS

Operating Figures

For the year ended 31 December	2013 HK$	2012 HK$	Change	2011 HK$	2010 HK$	2009 HK$
Revenue	**1,060,434,801**	1,106,333,283	-4%	559,490,832	558,261,469	286,677,682
Operating profits	**259,704,858**	194,084,367	34%	116,074,393	107,637,725	94,208,048
Profit for the year	**210,506,147**	184,690,978	14%	92,092,536	84,634,412	77,012,152
Earnings per share						
Basic (HK$ cents)	**20**	23	-13%	12	16	17
Diluted (HK$ cents)	**20**	23	-13%	11	16	17

Consolidated Balance Sheet

As at 31 December	2013 HK$	2012 HK$	Change	2011 HK$	2010 HK$	2009 HK$
Total assets	**2,849,166,396**	1,832,335,809	55%	1,234,526,218	1,230,370,717	786,954,940
Non-current asset	**893,917,352**	741,629,235	21%	549,393,417	492,368,443	495,869,969
Current assets	**1,955,249,044**	1,090,706,574	79%	685,132,801	738,002,274	294,084,971
Total liabilities	**623,599,533**	741,497,540	-16%	231,530,769	341,479,296	399,476,317
Non-current liabilities	**14,589,423**	11,821,404	23%	12,873,620	10,244,983	10,257,986
Current liabilities	**609,010,110**	729,676,136	-17%	218,657,149	331,234,313	389,218,331
Net current assets/(liabilities)	**1,346,238,934**	361,030,438	273%	466,475,652	406,767,961	(95,133,360)
Net assets	**2,225,566,863**	1,090,838,269	104%	1,002,995,449	888,891,421	390,478,623

Financial Indicators

For the year ended 31 December	2013	2012	2011	2010	2009
Trade receivables turnover days	**285**	165	263	188	176
Inventory turnover days	**268**	90	107	47	91
Trade payables turnover days	**225**	86	131	112	34
Current ratio	**3.21**	1.49	3.13	2.23	0.76
Gearing ratio *(Note 1)*	**–**	5%	3%	–	35%
Return on Equity *(Note 2)*	**13%**	18%	10%	13%	22%

Note 1 Based on total borrowing net of cash and cash equivalents over total capital.

Note 2 Based on the profit for the year over the average of the total equity at the beginning and end of the financial year.

CORPORATE PROFILE AND STRUCTURE

CORPORATE PROFILE

Termbray Petro-king Oilfield Services Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") (stock code: 2178) is a leading independent *(Note)* China-based provider of high-end oilfield services.

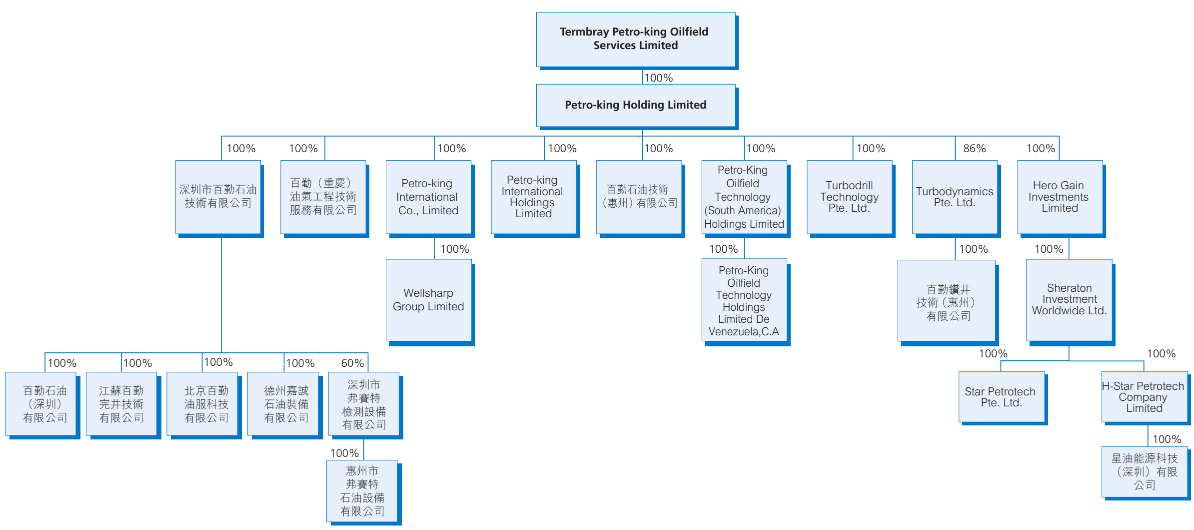
We provide high-end services and products across various stages in the life of an oil or gas field, including the provision of services in well evaluation and appraisal, drilling, casing, well completion, well production, well workover, production enhancement and well abandonment, as well as the supply of oilfield services tools and equipment. Amongst our available services, we principally focus on the provision of consultancy services; oilfield project services in drilling, well completion and production enhancement; manufacturing and sales of oilfield services tools and equipment.

Since our inception in 2002, we have provided services/products to customers located in various regions/countries in the world, including China, the Middle East, Russia, Australia, South America, Singapore, Indonesia, Taiwan, Kazakhstan, Turkmenistan, the Republic of Trinidad and Tobago, and the Gabonese Republic.

We operate 4 efficient manufacturing plants in Singapore and China. Our research and development center and production facilities are under construction in Huizhou, Guangdong Province. We target to commence the commercial operation of such facilities in the second half of 2014.

CORPORATE STRUCTURE

As at the date of this report, the corporate structure is as below:



Note: In the context of describing the Group or other service providers/companies in this report, the word "independent" means "non-government-owned" or "non-state-owned".

CHAIRMAN'S STATEMENT

WANG JINLONG
Chairman

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present to the shareholders of the Company (the "**Shareholders**") the annual report of the Group for the year ended 31 December 2013.

RESULTS

As a result of successful vertical integration and costs saving measures, the Group's operating profit from continuing operations increased by 44% to HK$259.7 million in 2013 from HK$179.9 million in 2012, while the Group's revenue from continuing operations increased slightly by 0.3% to HK$1,060.4 million in 2013, compared to that of HK$1,057.4 million in 2012. Net profit from continuing operations increased by 21% to HK$210.5 million in 2013 from HK$174.1 million in 2012. Excluding the one-off gain of HK$47.7 million on disposal of a jointly controlled entity in 2012, net profit from continuing operations increased by 67% in 2013. Profit attributable to owners of the Company from continuing operations increased by 17% to HK$196.6 million in 2013 from HK$167.7 million in 2012.

OVERVIEW

2013 was an important year for the Group's corporate development, technological development as well as business strategies implementation. Subsequent to our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in March 2013, the Group has speeded up the following medium term business expansion plans:

- Started building the research and development and manufacturing facilities in Huizhou (the "**Huizhou Base**")

- Invested in research and development for new services and technologies including drilling, fracturing and well completion

- Speeded up its vertical integration by addition of machinery and increased the production capacity of completion tools, fracturing tools and surface control systems

- Acquired necessary tools and equipment to enhance the Group's service capability and capacity in fracturing and directional drilling, and introduced new technologies for fracturing and drilling

- Established marketing and sales offices in Dubai, Australia and Canada

2013 was also a challenging year for the Group. Unexpected delay in production enhancement jobs from various customers in Ordos Basin and a drop in average revenue per well for multistage fracturing services, together with a drop in revenue from drilling services as a result of the Group being in the transitional period of replacing leased tools with its self-developed tools, led to a decline of about 16% in the Group's total revenue from the China market. In addition, regional political instabilities in Venezuela and the Middle East have, to a certain extent, delayed the Group's business development in these areas. As a result, certain parts of the Group's revenue target for 2013 were not fully realised.

Despite the challenges as mentioned above, the Group has achieved certain business goals in 2013, namely, the expansion of its customer bases; increase in utilisation of its self developed and manufactured tools; and enhancement of its service capability and capacity in various high-end oilfield service lines.

EXPANDED CUSTOMER BASE

The Group achieved a balanced development in the China market and the overseas markets in 2013.

In China, while maintaining a good relationship with the existing customers, such as the subsidiaries and joint ventures of China Petrochemical Corporation ("**Sinopec**"), the Group won bids and acquired bilateral contracts from certain notable new customers, such as various subsidiaries of China National Petroleum Corporation ("**CNPC**") and Shaanxi Yanchang Petroleum Group in 2013.

Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continued to be the Group's focus in the China market. While experiencing the unexpected delay in business growth from multistage fracturing services of the tight gas and tight oil projects in Ordos Basin, the Group has started providing multistage fracturing services in Sichuan Basin and Tarim Basin in 2013. In addition to the multistage fracturing services, the Group has also acquired various drilling service contracts (including directional drilling and turbine drilling) from various subsidiaries of CNPC in Songliao Plain and Tarim Basin in 2013.

In the overseas markets, while gradually building up our business reputation in South America and fostering a closer business relationship with Petroleos de Venezuela S.A. ("**PDVSA**"), the Group has also conducted proactive marketing activities for its oilfield services and tools in other overseas markets, such as the Middle East, Australia, Canada and Indonesia in 2013. The Group also set up marketing and sales offices in Dubai, Australia and Canada; and entered into exclusive agency agreements with distribution agents in Saudi Arabia, Kuwait, Abu Dhabi and Pakistan. The marketing activities in the Middle East have received encouraging results in 2013 and the Group has started providing its products and services in Iraq.

DEVELOPMENT OF SERVICES AND PRODUCTS

As a high-end integrated oilfield services provider, the Group values the importance of technological advancement and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 2013, the Group has continued to seek advancement in technology and enhancement in service capability and capacity.

Following the successful application of the multistage hydraulic fracturing technology for horizontal well production enhancement introduced by the Group in China in 2012, the Group debuted new fracturing technologies for production enhancement including fast-drill bridge-plug fracturing technology and coiled tubing conveyed resettable packer multistage fracturing technology. In addition, the Group continued to develop and introduce such new fracturing technology for unconventional oil and gas projects in 2013 as follows:

- Together with TouGas Oilfield Solution GmbH, the Group has been developing the non-fresh water fracturing fluid system, a solution to improve productivity of unconventional oil and gas assets while reducing the environmental footprint of hydraulic fracturing operations.

- The Group has promoted the closeable and retrievable fracturing sleeve, a newly developed technology for multistage fracturing services, and received encouraging feedback from our customers.

- With the cooperation of Schlumberger, the Group introduced and subsequently made successful application of the hi-way channel fracturing technology in Tarim Basin, a technology enhancing the production output of an oil/gas well substantially by improving the flow conductivity of the fracture.

In 2013, 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's research and development team has achieved a major breakthrough in drilling technology, and the Group has successfully developed its own turbine drilling tools and put into commercial operation of its self-developed directional turbine drilling technology in Tarim Basin. To further expand the Group's product variety of completion tools and fracturing tools, the Group has introduced to the customers a new series of safety valves and packers, including 9.625 inches monbore packer, 7 inches safety valve and four new type hanger packers, and developed a new generation of hydraulic jetting tool with bottom packer.

We believe that the significant achievements in product development and new technology applications and the significant progress in vertical integrations as well as the enhancement in our service capability and capacity in 2013 have laid a solid foundation for the Group to capture future business opportunities.

OUTLOOK

The global economic outlook has been improving with signs of recovery in some major economies. It is expected to stimulate demand for gas and oil. Globally, exploration of oil and gas and drilling are gathering momentum. However, the politically unstable environment in the Middle East and the recent regional political turmoil in Eastern Europe and South America have put on some uncertainties on the Group's business development in the overseas markets. The Group is cautiously optimistic about the overseas markets in 2014. Nevertheless, the Group will continue to maintain a well balanced business development strategy in both China and the overseas markets in a medium to long term.

For the overseas markets, overseas investment of Chinese national oil companies ("**NOCs**") were still keen in 2013 and the Group has participated in bidding in various projects in the Middle East, Central Asia, South East Asia, Australia and Canada, and is actively following its customers on their business development plans overseas. We have started acquiring contracts from these customers in the second half of 2013 and early 2014 and see enormous market potentials of the Group's products and/or services in the foreseeable future. In South America, we have expanded our oilfield services from completion to production enhancement in 2013. Our quality services and professional engineering team have been highly recognised by our customer namely PDVSA and we have recently been granted more wells by PDVSA for production enhancement services. The current political turmoil in Venezuela has not imposed a significant unfavourable impact on the Group's current daily operations in Venezuela up to the date of this report and it is the Group's intention to maintain its current business operations in Venezuela in 2014. However, we will closely monitor any new development of the political situation and will make necessary assessment on the business environment in Venezuela from time to time.

Domestically, the Chinese Government has shown a very strong determination to resolve the air pollution problem in China. It is expected that continuous deregulation in oil and gas industry will encourage more and more private sector investments, led by investments in unconventional upstream resources, such as shale gas. Unconventional gas in China will continue to be the major focus of the Group's production enhancement services in 2014. According to the Ministry of Land and Resources, China's natural gas output will be reaching 300 billion cubic metres by 2030. It predicts that half of the gas output will be coming from unconventional resources (i.e. shale gas, tight gas and coal bed methane, etc). In light of the enormous potential of the Group's multistage fracturing services for unconventional gas projects, the Group has been proactively preparing itself for the unconventional gas business opportunities in China. In addition to the purchase of high-pressure pumping fracturing equipment with 37,500 hydraulic horsepower ("**HHP**"), the Group will continue to expand its professional engineering team and further develop new fracturing technology and tools, in order to further enhance its leading position as a high-end oilfield services provider in China.

To better support its oilfield service business, the Group commenced construction works in Huizhou Base in the second quarter of 2013, and completed the structural construction works of two plants and a staff quarter in the fourth quarter of 2013. We expect that the machinery and equipment installation will be completed in the first half of 2014 and commercial production will commence in the second half of 2014. The Huizhou Base, upon its commencement of commercial production, will significantly increase the Group's product development, manufacturing capability and capacity of its well completion tools, drilling tools, surface control systems, fracturing tools and accessories.

Looking ahead to 2014, we will keep upgrading our capability and capacity and continue our marketing efforts in both China and the overseas markets. Barring from unforeseeable adverse circumstances (if any) from the above mentioned political turmoil, we are confident that the Group's overall business operations will be further developed in 2014, amid the numerous business opportunities in China and the overseas markets.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Company's shareholders, customers and business partners for their continuous support. Also, I would like to take this opportunity to thank all our dedicated staff members for their valuable contribution during the year.

Wang Jinlong
Chairman

Hong Kong, 20 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2013, the Group recorded a total revenue of HK$1,060.4 million from continuing operations, representing a slight increase of HK$3.0 million or 0.3%, from HK$1,057.4 million in 2012. The Group's operating profit from continuing operations in 2013 increased by HK$79.8 million or approximately 44% to HK$259.7 million from that of HK$179.9 million in 2012. The operating profit margin from continuing operations increased by 7 percentage points to 24% in 2013, from 17% in 2012. Excluding the effects of the HK$47.7 million one-off gain on disposal of a jointly controlled entity in 2012, the Group's net profit after tax from continuing operations recorded a significant increase by HK$84.2 million or approximately 67% from HK$126.3 million in 2012 to HK$210.5 million in 2013. Excluding the effects of the HK$47.7 million one off gain on disposal of a jointly controlled entity in 2012, the Group's net profit margin from continuing operations increased by 8 percentage points to 20% in 2013, from 12% in 2012. The significant improvement in the operating profit margin and the net profit margin in 2013 was mainly attributable to the significant costs saving in the cost of materials and tools as a result of the utilisation of self-made tools in our oilfield services projects.

In 2013, revenue growth was mainly attributable to the overseas markets, which has increased by 40% in 2013 as compared to 2012. The Group's revenue from the China market dropped by 16%, mainly due to the unexpected delay in production enhancement jobs from various customers in Ordos Basin, a drop in average revenue per well for multistage fracturing services and a decrease in revenue from drilling services resulted by the transitional period of replacing leased tools by our self-developed tools. Further analysis of the Group's revenue is set out below:

The Group gradually scaled down and eventually ceased its operations in the sanctioned countries (such as Iran and Syria) in November 2012. The operations in these sanctioned countries were classified as "**discontinued operations**" in the audited consolidated financial statements of the Group. In 2012, revenue and net profit generated from discontinued operations were HK$48.9 million and HK$10.6 million, respectively. Unless otherwise stated in the relevant paragraph, the Group's management discussion and analysis below are based on the results from continuing operations only.

GEOGRAPHICAL MARKET ANALYSIS

Set out below is the revenue analysis by geographical area:

	2013 (HK$ million)	2012 (HK$ million)	Change (%)	**Percentage of total revenue 2013 (%)**	Percentage of total revenue 2012 (%)
China market	**625.8**	746.9	-16%	**59%**	71%
Overseas markets	**434.6**	310.5	40%	**41%**	29%
Total	**1,060.4**	1,057.4	0%	**100%**	100%

In 2013, the Group's revenue from the China market amounted to HK$625.8 million, which has decreased by HK$121.1 million or approximately 16% from HK$746.9 million in 2012. The drop in revenue from the China market was mainly due to the unexpected delay in growth of production enhancement projects from various customers in Ordos Basin and a drop in average revenue per well for multistage fracturing services of tight gas and oil wells, as well as the decrease in revenue from drilling services resulted by the transitional period of replacing leased tools by our self-developed tools. In 2013, the Group has completed a total of 141 wells in China for production enhancement services, six wells less than that of 147 wells completed in 2012. In addition, the Group's revenue from drilling services was materially affected as a result of being in the transitional period of replacing leased tools with self-developed tools. On the other hand, the significant increase in manufacturing and sales of tools and equipments of the Group made a contribution to the revenue from the China market, and partially offset the decrease in revenue from other service lines in China.

In 2013, the Group was able to offer more competitive average unit price per well in the provision of production enhancement services (mainly multistage fracturing services of horizontal wells) to its customers, as the Group achieved substantial cost savings by using its self-developed fracturing tools, which outweighed the impact of the decrease in the average revenue per well for multistage fracturing jobs on its gross profit margin.

In 2013, the Group made efforts to develop the overseas markets, the revenue from the overseas markets amounted to HK$434.6 million, increased by HK$124.1 million or approximately 40% as compared to that of HK$310.5 million in 2012. The substantial growth in the overseas markets was mainly attributable to the fast growth of business in South America and the Middle East. In Venezuela, not only well completion services recorded moderate growth on the basis of 2012, but also our production enhancement services achieved a major breakthrough in 2013, where we provided production enhancement services for a total of six wells in the second half of 2013, and recorded a revenue of about HK$117.9 million. In the Middle East, with our past experience and excellent track record of well completion services and proactive marketing activities in various countries in the Middle East, we have received encouraging feedback from our customers and started providing our products and services in Iraq in the second half of 2013.

Revenue from the China Market

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

	2013 (HK$ million)	2012 (HK$ million)	Change (%)	**Percentage of total 2013 (%)**	Percentage of total 2012 (%)
Northern China	**310.6**	523.1	-41%	**50%**	70%
Southwestern China	**48.5**	95.2	-49%	**8%**	13%
Northwestern China	**21.2**	10.8	96%	**3%**	1%
Other regions in China	**245.5**	117.8	108%	**39%**	16%
Total	**625.8**	746.9	-16%	**100%**	100%

In 2013, the Group's revenue from Northern China amounted to HK$310.6 million, which has decreased by HK$212.5 million or approximately 41% from HK$523.1 million in 2012. The drop in revenue was mainly due to the unexpected delay in growth of production enhancement projects for the Sinopec Northern China Company in 2013 and the decrease in average revenue per well. The revenue of production enhancement services from Sinopec Northern China Company of the Group in 2013 was HK$246.6 million, which has decreased by HK$238.1 million or 49% from HK$484.7 million in 2012.

The revenue from Southwestern China amounted to HK$48.5 million in 2013, which has decreased by HK$46.7 million or approximately 49% from HK$95.2 million in 2012. The drop in revenue in Southwestern China was mainly due to the Group being in a transitional period of replacing leased tools with self-developed turbine drilling tools.

The Group made a remarkable breakthrough in marketing and sales in China. In 2013, the Group has provided its high-end drilling services (such as turbine drilling for hard and abrasive rock formation well and directional drilling for fishbone horizontal well) in various projects owned by subsidiaries of CNPC in Tarim Basin and Songliao Plain. In addition, with the expansion in capacity of the Group's product development and manufacturing facilities in Singapore and China, the revenue from manufacturing and sale of tools and equipments in the other regions of China increased significantly in 2013. As a result, the Group's revenue from Northwest China and other regions in China increased by 96% and 108%, respectively in 2013.

Revenue from the Overseas Markets

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

	2013 (HK$ million)	2012 (HK$ million)	Change (%)	**Percentage of total 2013 (%)**	Percentage of total 2012 (%)
Venezuela	**358.4**	209.0	71%	**82%**	67%
Middle East	**55.0**	–	N/A	**13%**	0%
Other regions	**21.2**	101.5	-79%	**5%**	33%
Total	**434.6**	310.5	40%	**100%**	100%

Note: The Middle East region includes Iraq, the United Arab Emirates etc. Other overseas regions include Russia, Singapore, Indonesia, Taiwan, Kazakhstan, the Republic of Trinidad and Tobago, and the Gabonese Republic etc.

The Group's revenue from the overseas markets was mainly from Venezuela. In 2013, the Group's revenue from Venezuela amounted to HK$358.4 million, which has increased by HK$149.4 million or approximately 71%, from HK$209.0 million in 2012. Subsequent to entering into the South America market and starting to provide well completion services in Venezuela for PDVSA in 2012, the Group's quality services and professional engineer team were highly recognised by our customer and has gradually built its business reputation in 2013 as a high-end oilfield services provider from China in South America. While continuing in the provision of well completion products and services, the Group has successfully expanded its oilfield services to production enhancement and has provided production enhancement services for a total of six wells for PDVSA in the second half of 2013.

In 2013, leveraging on the Group's previous experience and excellent track record of well completion services in the Middle East together with a series of proactive marketing activities in various countries in the Middle East, the Group has successfully gained new customers in Iraq and United Arab Emirates. In 2013, the Group's revenue from the Middle East amounted to HK$55.0 million, making a significant contribution of approximately 13% of the Group's total revenue from the overseas markets.

In 2013, the Group's revenue from other overseas regions dropped by HK$80.3 million or approximately 79% to HK$21.2 million, from HK$101.5 million in 2012. The drop in the revenue was mainly due to the completion of the Sakhalin project from LLC Venineft ("**Venineft**") (a subsidiary of Russian NOC, Rosneft) in 2012, which had a contribution in revenue of about HK$53.9 million in 2012 and the completion of a CNPC project in Turkmenistan in 2012 also led to the significant drop in the Group's revenue from other overseas region in 2013.

BUSINESS SEGMENT ANALYSIS

Set out below is the revenue analysis by business segment:

	2013 (HK$ million)	2012 (HK$ million)	Change (%)	**Percentage of total revenue 2013 (%)**	Percentage of total revenue 2012 (%)
Oilfield project services	**739.2**	921.8	-20%	**70%**	87%
Consultancy services	**40.5**	49.6	-18%	**4%**	5%
Manufacturing and sales of tools and equipment	**280.7**	86.0	226%	**26%**	8%
Total	**1,060.4**	1,057.4	0%	**100%**	100%

In 2013, the Group's revenue from oilfield project services amounted to HK$739.2 million, accounting for approximately 70% of the Group's total revenue, which has decreased by HK$182.6 million or approximately 20% from HK$921.8 million in 2012. The drop of the revenue from oilfield project services was mainly due to the decrease in revenue from production enhancement services and drilling services in China, as mentioned above.

The Group's revenue from consultancy services amounted to HK$40.5 million in 2013, which has decreased by HK$9.1 million or approximately 18% from HK$49.6 million in 2012. The major cause of the decrease was that the consultancy services in Russia which has contributed to approximately HK$20.2 million to the Group's revenue from consultancy in 2012 was completed.

In 2013, the Group added machinery and equipments and expanded the production capacity of its manufacturing facilities for tools and equipments, including well completion tools, fracturing tools and surface control systems. As a result, the Group's revenue from manufacturing and sales of tools and equipments increased by HK$194.7 million or approximately 226% to HK$280.7 million in 2013, from HK$86.0 million in 2012. The expansion in the manufacturing capacity of the Group also provided a strong support of quality tools and equipment for the Group's oilfield service projects, and effectively reduced the cost of materials used in our oilfield service projects, which enhanced the overall operating margin of the Group's business.

Oilfield Project Services

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

	2013 (HK$ million)	2012 (HK$ million)	Change (%)	**Percentage of total 2013 (%)**	Percentage of total 2012 (%)
Drilling services	**66.5**	131.3	-49%	**9%**	14%
Well completion services	**253.4**	265.6	-5%	**34%**	29%
Production enhancement services	**419.3**	524.9	-20%	**57%**	57%
Total	**739.2**	921.8	-20%	**100%**	100%

Drilling Services

In 2013, the Group's revenue from drilling services dropped by HK$64.8 million or approximately 49% as compared to that of HK$131.3 million in 2012, which was mainly due to the transitional period of replacing the leased turbine drilling tools by its self-developed turbine drilling tools. The Group has been mainly focused on high-end drilling services, such as directional and turbine drilling technologies. In 2013, the Group provided directional drilling or turbine drilling services for 29 wells, in which 27 wells were completed before 31 December 2013 and two wells were still in progress as at 31 December 2013.

In 2013, the Group made a remarkable breakthrough in marketing and sales in China, and has started providing our high-end drilling services (such as turbine drilling for hard and abrasive rock formation well and directional drilling for fishbone horizontal well) in various projects owned by subsidiaries of CNPC in Tarim Basin, Sichuan Basin and Songliao Plain, etc.

For the overseas markets, the Group is now building a drilling service team and targeting to provide its turbine/directional drilling services to overseas customers, starting with the Middle East market.

To further enhance the Group's service capability and capacity in the high-end drilling services market, we have purchased two sets of Measurements While Drilling ("**MWD**") tools in 2013, both of which have been put into operation in the second half of 2013. The Group has also purchased two sets of Logging While Drilling ("**LWD**") tools, which will be put into operation in the first half of 2014.

Well Completion Services

The Group's revenue from completion services was mainly from well completion services and provision of tools to PDVSA in Venezuela. In 2013, the Group's revenue from well completion services amounted to HK$253.4 million, which has dropped by HK$12.2 million or approximately 5% from HK$265.6 million in 2012. In 2013, the Group has provided well completion services for a total of 24 wells in China, including two sour wells in the Tarim Basin.

The Group has been actively promoting its well completion services in the Middle East and has acquired new customers in Iraq and the United Arab Emirates in 2013. To further promote the Group's well completion products and services in these areas, exclusive agency agreements have been signed with local well-known tools and equipment distributors in Pakistan and the United Arab Emirates, which marks the further progress of the Group's self-developed well completion tools to enter the affluent Middle East market. Moreover, in the China market, the Group has been included into the suppliers list of China Petroleum Technology and Development Corporation ("**CPTDC**"), the global technical support and the purchasing company of CNPC, and the Group has been granted a supply contract of well completion tools in 2013.

Through the Group's continuous commitment to research and development and manufacturing of well completion tools, the Group has developed a closeable and retrievable fracturing sleeve, and has further developed and expanded its product series of well completion tools and promoted to its customers the new series products of safety valve and packers in 2013, including 9.625 inch single channel packer, 7 inch safety valve and 4 new types of hangers packers as well as a new generation of hydraulic jetting tool with bottom packer.

Production Enhancement Services

In 2013, the Group's revenue from production enhancement services amounted to HK$419.3 million, dropped by HK$105.6 million or approximately 20% from HK$524.9 million in 2012, which was mainly due to the decreases in the revenue from China's domestic production enhancement service in 2013 as mentioned above. The Group has completed a total of 147 wells in 2013, of which 141 wells were in China and six wells were in Venezuela. The total number of wells for production enhancement services completed in 2013 was comparable to that of 2012. However, a drop of approximately 20% in average revenue per well in 2013 led to the decreases in the Group's revenue from production enhancement services.

In 2013, the Group's self-developed fracturing tools have been widely applied in its oilfield service projects. Apart from the cost saving in materials and tools used for the oilfield services, the use of self-developed fracturing tools also provided more choices for customers and provided our customers customised tools according to their specific needs and conditions. In addition, the Group also made progress in the application of new production enhancement technology. We successfully introduced applications of the fast drill bridge plug fracturing technology and coiled tubing-conveyed resettable packer multistage fracturing technology in 2013. The Group has also developed a closeable and retrievable fracturing sleeve, and has received encouraging feedback from our customers.

The Group has strengthened cooperation with overseas enterprises and improved our technical level of production enhancement services. The Group cooperated with TouGas Oilfield Solution GmbH devoting into the development of the non-fresh water fracturing fluid system, in order to increase the productivity of unconventional oil and gas assets and reduce the environmental footprint of hydraulic fracturing operations. With the cooperation of Schlumberger, the Group introduced and applied the hi-way channel fracturing technology, which could improve the output of oil and gas through substantially improving the flow conductivity of the fracture.

In light of the enormous potential of the Group's multistage fracturing services for unconventional gas projects, the Group has been proactively preparing itself for the unconventional gas business opportunities in China. In addition to the purchase of high-pressure pumping fracturing equipment with 37,500 HHP, the Group will continue to expand its professional engineering team, further develop new fracturing technology and tools, in order to further enhance its leading position as a high-end oilfield services provider in China.

Consultancy Services

In 2013, the Group's revenue from consultancy services amounted to HK$40.5 million, which has dropped by HK$9.1 million or approximately 18% from HK$49.6 million in 2012. As mentioned above, the major cause of such a drop in revenue was that a consultancy service project in Russia, contributing about HK$20.2 million, was completed in 2012, and this was partially offset by the increase in consultancy services revenue from South China Sea projects in 2013.

Although consultancy services contributed only about 4% of the Group's total revenue in 2013, 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 have a lack of professional experience in the exploration and development of shale gas project, the Group's Integrated Project Management ("**IPM**") service team can assist in project management during the entire cycle of their projects.

Manufacturing and Sales of Tools and Equipment

In 2013, the Group's manufacturing and sales of tools and equipment business developed rapidly, and recorded a revenue of HK$280.7 million, representing an increase of HK$194.7 million or approximately 226%, from HK$86.0 million in 2012. To cope with the keen market demand of the Group's tools and equipment, we have added machinery and equipments to our manufacturing facilities in order to expand the production capacity of producing such tools and equipment. The expansion in production capacity also contributed significantly to the vertical integration process of the Group's business, which led to significant cost savings in materials and tools used in our oilfield service projects.

As mentioned above, the Group has been continuously committed to research and development and manufacturing of well completion tools and other tools and equipment. The Group has developed various new products and received encouraging feedbacks from our customers in 2013. To better support oilfield services business, the Group started the Huizhou Base construction project in the second quarter of 2013 and has finished the structural construction works of two plants and a staff quarter in the fourth quarter of 2013. We anticipate that the installation of equipments could be finished in the second quarter of 2014 and commercial operations would start from the second half of 2014. The Huizhou Base, upon its commencement of commercial production, will significantly upgrade the Group's product development and manufacturing capability and capacity of well completion tools, drilling tools, surface control systems, fracturing tools and accessories.

CUSTOMER ANALYSIS

Set out below is the revenue analysis by customer:

	2013 (HK$ million)	2012 (HK$ million)	Percentage change (%)	**Percentage of total revenue in 2013 (%)**	Percentage of total revenue in 2012 (%)
Sinopec	**333.0**	665.8	-50%	**31%**	63%
PDVSA	**358.4**	209.0	71%	**34%**	20%
CNPC	**78.6**	34.5	128%	**7%**	3%
Others *(Note)*	**290.4**	148.1	96%	**28%**	14%
Total	**1,060.4**	1,057.4	0%	**100%**	100%

Note: Others include China National Offshore Oil Corporation ("CNOOC"), Winfield Oil Services Limited, ConocoPhillips China Inc., Venineft, Oxin Group Limited, Top Resource General Trading LLC, etc.

The Group has been committed to diversify its customer base and has successfully obtained more business from PDVSA in 2013. It has made a breakthrough in the multistage fracturing services market in Venezuela. The Group's revenue from PDVSA in 2013 amounted to HK$358.4 million, which has increased by HK$149.4 million or approximately 71% from HK$209.0 million in 2012. As a result, the contribution in revenue from PDVSA increased to about 34% in 2013, which has increased by 14 percentage points as compared to that of 20% in 2012. In 2013, due to the significant decrease in revenue from multistage fracturing services in Ordos Basin from Sinopec Northern China Company, the Group's revenue from Sinopec Group dropped to HK$333.0 million, which has decreased by HK$332.8 million or approximately 50% from HK$665.8 million in 2012. As a result, the contribution in revenue from Sinopec Group dropped from 63% in 2012 to 31% in 2013. As a result of the continuous efforts in the diversification of our customer mix, the Group's revenue from CNPC Group increased by HK$44.1 million or approximately 128% to HK$78.6 million in 2013 from that of HK$34.5 million in 2012. As a result, the contribution in revenue from CNPC increased to about 7% in 2013, which has increased by 4 percentage points from 3% in 2012.

For other customers, while maintaining a good relationship with existing customers, it is the Group's strategy to further expand our customer base in both China and the overseas markets. In 2013, the Group's revenue from other customers amounted to HK$290.4 million, which has increased by HK$142.3 million or approximately 96%, from HK$148.1 million in 2012, representing 28% of the Group's total revenue, which has increased 14 percentage points as compared to that of 2012.

RESEARCH AND DEVELOPMENT

As a high-end integrated comprehensive oilfield services provider, the Group values the importance of technology and prides itself in introducing innovative products and services 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. In 2013, the Group has continued to seek advancement in technology and enhancement in service capability and capacity. Our technology development team has expanded to 52 experienced engineers. More self-developed products acquired the American Petroleum Institute ("**API**") certificate, were patented or are in the process of applying for invention patent or utility model patent. In order to have further technological advancement and higher service capability, the Group devotes to enhance its in-house capability of product development and manufacturing of a number of key oilfield service tools and equipment, and keeps in step with the market trend of innovative and high-efficient technology as well as continuously improve the technology and enhance its services and capabilities. At the same time, the Group has been active in technology innovation and patent application. The Group has made new patent applications for 12 invention patents and 10 utility model patents in 2013.

In 2013, the Group started mass production of its self-developed multistage fracturing packers, and successfully applied the fast-drill bridge-plug fracturing technology and coiled tubing-conveyed resettable packer multistage fracturing technology. The Group has also commenced the development of the non-fresh water fracturing fluid system to improve the production of the unconventional oil and gas while reducing the footprint on the environment caused by the hydraulic fracturing operations. The Group has promoted the closeable and retrievable fracturing sleeve, a newly developed technology for multistage fracturing services, and received encouraging feedback from our customers. In cooperation with Schlumberger, the Group has made a successful application of a new technology, the hi-way channel fracturing technology, which could improve the output of oil and gas through substantially improving the flow conductivity of the fracture. The Group has developed a new generation of hydraulic jetting tool with bottom packer, which has received an excellent result on first application.

In regards to drilling tools, the Group has successfully self-developed turbine drilling tools and put the self-developed directional turbine drilling technology into commercial applications.

In regards to well completion, the Group has taken a further step to develop and expand the product variety of completion tools, which included a new series of products, such as 9.625 inches monobore packer, 7 inches safety valve and four new-type hanger packers.

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, but more importantly, enhances each employee's professional standard.

We offer a reasonable remuneration policy to employees. Specific remuneration packages include salary, bonuses and other cash compensations. In general, we determine the salary of each employee according to his/her qualifications, position and seniority. Our decision on increase in salary, bonus and promotion is made in accordance with the evaluation of the employee's performance through the review system. In 2013, the Group's employee benefit expenses amounted to HK$168.4 million, which was approximately 2.1 times of that of HK$80.5 million in 2012. The increase was mainly due to the fact that the number of the Group's employees has increased substantially in 2013. The general increase in the salary scale was about 10% in 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.

As at 28 February 2014, the Group had 863 employees, representing an increase of 66% from 519 in February of last year, among which the number of oilfield service engineers or technical personnel was 312, representing an increase of 29% as compared to that of 241 in February of last year.

FINANCIAL REVIEW OF CONTINUING OPERATIONS

Revenue

The Group's revenue in 2013 amounted to HK$1,060.4 million, which has increased by 0.3% as compared to that of HK$1,057.4 million in 2012. The revenue from oilfield project services and consultancy services amounted to HK$779.7 million in 2013, which has decreased by HK$191.7 million or about 20% from HK$971.4 million in 2012, mainly due to the completion of service contracts of the Sakhalin Project in Russia in 2012, the business reduction in production enhancement from the Sinopec Northern China Company and the decline in unit price of the production enhancement jobs in China. The revenue from manufacturing and sales of tools and equipment business was HK$280.7 million in 2013, representing an increase of HK$194.7 million or 226% from HK$86.0 million in 2012, which was mainly due to the rapid increase in the business of the manufacturing subsidiary.

Material Costs

In 2013, the Group's material costs amounted to HK$314.9 million, which has dropped by HK$192.9 million or approximately 38% from HK$507.8 million in 2012, due to the cost savings in material and tools as the Group used more self-designed and self-made tools in our oilfield projects, and the cost of self-made tools is much lower than those outsourced.

Employee Benefit Expenses

In 2013, the Group's employee benefit expenses amounted to HK$168.4 million, which was approximately 2.1 times of that of HK$80.5 million in 2012. The increase was mainly due to the fact that the number of the Group's employees has increased substantially in 2013. The general increase in the salary scale was about 10% in 2013.

Distribution Expenses

In 2013, the Group's distribution expenses amounted to HK$18.6 million, which has dropped by HK$4.8 million or approximately 21% from HK$23.4 million in 2012, mainly due to less transportation of tools and equipments to distant areas.

Technical Service Fee

In 2013, the Group's technical service fee amounted to HK$124.7 million, which has dropped by HK$15.9 million or approximately 11% from HK$140.6 million in 2012, and was in line with the decrease in revenue from oilfield services projects.

Other Expenses

In 2013, the Group's other expenses amounted to HK$94.7 million, which has increased by HK$23.1 million or approximately 32% from HK$71.6 million in 2012, mainly due to the increase in rental expenses, utilities and other overhead expenses due to the expansion of our Shenzhen office and other regional offices in order to build a foundation that supports a larger business operation.

Operating Profit

As a result of the foregoing, the Group's operating profit from continuing operations increased from HK$179.9 million in 2012 to HK$259.7 million in 2013, representing a growth of HK$79.8 million, or approximately 44%. The Group's operating profit margin from continuing operations in 2013 was approximately 24%, representing an increase of 7 percentage points as compared with approximately 17% in 2012. The improvement in operating profit margin was mainly due to cost savings from using self-developed tools.

Net Finance Costs

In 2013, the Group's net finance costs amounted to HK$0.2 million, which has decreased by HK$7.2 million as compared to that of HK$7.4 million in 2012, and was mainly contributed by the gain on net monetary position for certain assets held by a Venezuelan subsidiary in Venezuela.

Income Tax Expense

In 2013, the Group's income tax expense amounted to HK$49.0 million, which has increased by HK$2.9 million or approximately 6% from HK$46.1 million in 2012. The increase in income tax expense was mainly due to the increase in operating profits, set-off by effect of tax rate reduction of a major operating subsidiary of the Group in China.

Net Profit

As a result of the foregoing, the Group's net profit from continuing operations in 2013 was HK$210.5 million, representing an increase of HK$36.4 million or approximately 21%, from HK$174.1 million in 2012. Excluding the one-off gain of HK$47.7 million on disposal of a jointly controlled entity in 2012, the net profit from continuing operations increased by 67% in 2013.

Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners from continuing operations of the Company in 2013 was approximately HK$196.6 million, representing an increase of HK$28.9 million or approximately 17%, from HK$167.7 million in 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 31 December 2013, the Group's property, plant and equipment amounted to HK$293.4 million, representing an increase of HK$136.3 million or approximately 87%, from HK$157.1 million as at 31 December 2012. The increase was primarily due to purchases of new machinery and equipment and introduction of new service bases for supporting the Group's business expansion.

Intangible Assets

Intangible assets mainly represent goodwill. The intangible assets of the Group decreased from HK$571.6 million as at 31 December 2012 to HK$570.1 million as at 31 December 2013, which was mainly due to the amortisation for the year.

Inventories

The Group's inventories increased from HK$163.3 million as at 31 December 2012 to HK$298.6 million as at 31 December 2013, representing an increase of HK$135.3 million, or approximately 83%. The increase of inventories was partly due to the increase in raw materials and finished goods of the Group's manufacturing subsidiaries and partly due to increase in completion tools and fracturing tools for preparation for expected increase in business in 2014. As a result, the average turnover days of inventories increased from 92 days in 2012 to 268 days in 2013.

Trade Receivables

As at 31 December 2013, the Group's trade receivables amounted to HK$1,004.4 million, representing an increase of HK$354.8 million or 55% to that of HK$649.6 million as at 31 December 2012. The average turnover days of trade receivables was 285 days in 2013, representing an increase of 112 days as compared to 173 days in 2012, mainly due to the delay in settlement of accounts receivable from PDVSA, a major overseas customer of the Group located in Venezuela, due to the politically unstable environment in Venezuela in 2013. The politically uncertainty in Venezuela has resulted in a tight US dollar reserve of Venezuela that has put on tremendous pressure on the exchange rate of Bs. to US dollar. The customer has indicated that they will settle the outstanding balance of our accounts receivable in 2014. Based on our recent discussions with the customer, we believe that the accounts receivables can be collected in the near future and our business relationship with PDVSA will continue in 2014.

Trade Payables

As at 31 December 2013, the Group's trade payables were HK$243.4 million, representing a decrease of HK$54.8 million or 18% from HK$298.2 million as at 31 December 2012. The average turnover days of trade payables increased from 86 days in 2012 to 225 days in 2013, representing an increase of 139 days, which was mainly attributable to the Group obtaining longer credit term from suppliers.

Liquidity and Capital Resources

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 its shareholders and 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 31 December 2013, the Group's cash and cash equivalents increased from HK$136.8 million as at 31 December 2012 to HK$345.4 million, which was mainly held in HK$, RMB and US$. HK$160.7 million cash was pledged in the bank as bank deposits for the Group's borrowings, bidding and performance bond. The Group has no other pledged assets.

As at 31 December 2013, the Group's bank borrowings were HK$233.4 million, all of which were short-term borrowings and HK$144.4 million was denominated in RMB; HK$71 million was denominated in HK$ and the rest was in US$. All the bank borrowings carried floating interest. The Group has approximately HK$854.2 million undrawn bank facilities obtained from its major bankers, which will meet the growing demand of working capital.

As at 31 December 2013, the Group was in a net cash position, whereas the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 5% as at 31 December 2012.

The equity interest attributable to owners of the Company increased from approximately HK$1,052.6 million as at 31 December 2012 to approximately HK$2,191.0 million as at 31 December 2013. The increase was primarily due to the proceeds from the initial public offering in March 2013, plus net profit growth in the year.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and Bs. Foreign exchange risk primary 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 include the capital expenditure commitments and the payment obligations under operating lease arrangements. The capital expenditure commitments mainly represent construction contracts and equipments purchase contracts which amounted to approximately HK$403.1 million as at 31 December 2013. The operating leases mainly include the lease of offices and warehouses. The Group's commitment under operating leases was approximately HK$29.4 million as at 31 December 2013. The Group has sufficient facilities to fund its operation to satisfy its future working capital and other financing requirements from its operating cash flow and available bank financing.

Contingent Liabilities

As at 31 December 2013, there were no material contingent liabilities or guarantees other than the performance bond of HK$2.0 million.

Off-balance Sheet Arrangements

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

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to attaining and maintaining high standards of corporate governance. The directors of the Company (the "**Directors**") recognise that good corporate governance practices and procedures are essential to ensure the Company's transparency and accountability and to its long-term success as well as to enhance the value of the Shareholders and safeguard their interests. The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance.

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange until 6 March 2013 (the "**Listing Date**"), the CG Code was not applicable to the Company in the period before the Listing Date. Throughout the period since the Listing Date, the Company has complied with the CG Code save as disclosed in the paragraph headed "**Chairman and Chief Executive Officer**" below.

DIRECTORS' SECURITIES TRANSACTIONS

On 18 February 2013, prior to the Listing Date, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors have confirmed that they had complied with the required standards of dealings as set out in the Model Code since the Listing Date.

THE BOARD OF DIRECTORS

The board of Directors (the "**Board**") is responsible and has general powers for supervising and overseeing all important matters of the Group, including but not limited to the formulation and approval of management strategies and policies, review of the internal control and risk management systems as well as financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the day-to-day management, administration and operations of the Group.

The Board comprises two executive Directors, namely Mr. Wang Jinlong and Mr. Zhao Jindong, three non-executive Directors, namely Mr. Ko Po Ming, Mr. Lee Tommy and Ms. Ma Hua, and three independent non-executive Directors, namely Mr. He Shenghou, Mr. Tong Hin Wor and Mr. Wong Lap Tat Arthur.

To the best knowledge of the Company, there are no financial, business and family relationships among members of the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all directors should participate in continuous professional development and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

Details of the continuous professional development participated by the Directors during the period under review since the Listing Date are as follows:

	Reading materials	Attending courses, seminars or conferences	Training sessions organised by the Company's legal advisers
Executive Directors			
Wang Jinlong	✓	✓	✓
Zhao Jindong	✓	✓	✓
Non-executive Directors			
Ko Po Ming	✓	✓	✓
Lee Tommy	✓		✓
Ma Hua	✓	✓	✓
Independent non-executive Directors			
He Shenghou	✓	✓	✓
Tong Hin Wor	✓		✓
Wong Lap Tat Arthur	✓	✓	✓

To ensure the Directors' contribution to the board remain informed and relevant, the Company will be responsible for arranging and funding suitable training to the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Jinlong ("**Mr. Wang**") is currently performing both the roles of chairman and chief executive officer of the Group. Taking into account Mr. Wang's strong expertise in the oil and gas industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Wang enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with the code provisions, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the members of the Board, and one of whom possesses the appropriate professional qualifications in accounting and financial management.

Having considered the factors for assessing the independence of the independent non-executive Directors and the written annual confirmations from each of them, the Board considers that all the independent non-executive Directors are independent.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with an initial term of three years commencing from 18 February 2013.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through electronic means of communication.

Since the Listing Date, the Board has held board meetings regularly for at least four times a year at approximately quarterly intervals. The matters covered in the board meetings held during the period under review include, among others, approval of the final results of the Group for the year ended 31 December 2012, approval of the interim results of the Group for the year ended 30 June 2013, review of the management accounts of the Group, entering into of a share transaction and exempted connected transaction for the acquisition of Sheraton Investment Worldwide Ltd., and entering into of a discloseable transaction for the purchase of equipment.

Details of the attendance of the Directors in the board meetings, board committee meetings and general meetings held during the period under review since the Listing Date are as follows:

	Meetings attended/Meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sanction Oversight Committee	2012 Annual General Meeting
Executive Directors						
Wang Jinlong	6/6	–	1/1	1/1	2/2	1/1
Zhao Jindong	5/6	–	–	–	–	1/1
Non-executive Directors						
Ko Po Ming	5/6	–	–	–	–	–
Lee Tommy	6/6	–	1/1	1/1	–	1/1
Ma Hua	6/6	–	–	–	–	–
Independent non-executive Directors						
He Shenghou	6/6	2/2	1/1	1/1	2/2	1/1
Tong Hin Wor	6/6	2/2	1/1	1/1	–	1/1
Wong Lap Tat Arthur	6/6	2/2	1/1	1/1	2/2	1/1

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of each of the non-executive Directors, namely, Mr. Ko Po Ming, Mr. Lee Tommy and Ms. Ma Hua is three years commencing from 18 February 2013.

BOARD COMMITTEE

The Board has established four Board committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the sanction oversight committee (the "**Sanction Oversight Committee**") to oversee the various aspects of the Company's affairs. The four Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 18 February 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The members of the Audit Committee are Mr. Wong Lap Tat Arthur, Mr. Tong Hin Wor and Mr. He Shenghou. Mr. Wong Lap Tat Arthur is the chairman of the Audit Committee.

During the period under review since the Listing Date, two meetings of the Audit Committee were held on 28 March 2013 and 23 August 2013 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2012 and for the six months ended 30 June 2013, respectively. All members of the Audit Committee attended the meetings.

The Audit Committee has reviewed, considered and discussed the Company's annual report, financial statements and internal control system for the year ended 31 December 2013.

Remuneration Committee

The Remuneration Committee was established on 18 February 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to review and determine the policy and the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group, to assess performance of executive directors and approve the terms of their service contracts. The members of the Remuneration Committee are Mr. He Shenghou, Mr. Tong Hin Wor, Mr. Wong Lap Tat Arthur, Mr. Wang and Mr. Lee Tommy. Mr. He Shenghou is the chairman of the Remuneration Committee.

During the period under review since the Listing Date, a meeting of the Remuneration Committee was held on 28 March 2013 to discuss, among others, level of salaries of each of the executive Directors, non-executive Directors, independent non-executive Directors and the management of the Company, and to approve their remuneration proposals with reference to the corporate goals and objectives of the Board. All members of the Remuneration Committee attended the meeting.

Pursuant to code provision B.1.2(c) of the CG Code, the Remuneration Committee made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Pursuant to code provision B.1.5 of the CG Code, the emolument of the members of the senior management (excluding the Directors) paid by the Group by band for the year ended 31 December 2013 is set out below:

Emolument band	Number of individuals
Nil to HK$1,000,000	10
HK$1,000,001 to HK$1,500,000	0

Further particulars regarding Directors' and chief executive's emoluments and the five highest paid employees are set out in note 24 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 18 February 2013 with written terms of reference. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the Nomination Committee are Mr. Wang, Mr. Lee Tommy, Mr. He Shenghou, Mr. Tong Hin Wor and Mr. Wong Lap Tat Arthur. Mr. Wang is the chairman of the Nomination Committee.

During the period under review since the Listing Date, a meeting of the Nomination Committee was held on 28 March 2013 to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to assess the independence of independent non-executive Directors, to discuss the re-election of Directors in the annual general meeting according to the articles of association of the Company. All members of the Nomination Committee attended the meeting.

Pursuant to code provision A.5.6 of the CG Code, the Board has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measureable objectives set out in the policy.

The Company recognises and seizes the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Sanction Oversight Committee

The Sanction Oversight Committee was established on 1 November 2012 with written terms of reference. The primary duties of the Sanction Oversight Committee are to assess sanctions risk that the Group may face and to determine whether the Group should embark on business opportunities with any sanctioned countries. The members of the Sanction Oversight Committee are Mr. Wong Lap Tat Arthur, Mr. Wang and Mr. He Shenghou. Mr. Wong Lap Tat Arthur is the chairman of the Sanction Oversight Committee.

During the period under review since the Listing Date, two meetings of the Sanction Committee were held on 28 March 2013 and 23 August 2013 respectively to review and discuss issues according to the working plan prepared by the Company. All members of the Sanction Committee attended the meetings.

EXTERNAL AUDITORS' REMUNERATION

The amount of fees charged by the Company's external auditors, PricewaterhouseCoopers, in respect of their audit services for the year ended 31 December 2013 amounted to HK$2,762,709.

THE COMPANY SECRETARY

The Company engaged an external service provider, Mr. Tung Tat Chiu, Michael as its company secretary. Mr. Shu Wa Tung Laurence, our Chief Financial Officer, is the key contact person with whom Mr. Tung can contact. For the year ended 31 December 2013, Mr. Tung has received relevant professional trainings of not less than 15 hours to update his skills and knowledge.

INTERNAL CONTROL

An effective internal control system is a key factor in maintaining the integrity of business, results of operations and reputation of the Group. As such, the Company has implemented an effective internal control system by developing and enhancing, from time to time since our establishment, different sets of internal control procedures and manuals covering a number of key control areas such as financial management, separation of management power, credit and settlement control and management and health, safety and environment compliance management, with a view to ensuring compliance by the Group with applicable laws and regulations.

During the year, the Group had reviewed its internal control system. The review has covered all material controls, including financial, operational and compliance controls and risk management functions. Based on the review, the Board was satisfied with the effectiveness of the current internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

SHAREHOLDER'S RIGHTS

How shareholders can convene an extraordinary general meeting

Pursuant to Article 49 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Office No. 504, 5th Floor, Tower 1, Silvercord, No. 30 Canton Road, Kowloon, Hong Kong by post for the attention of the Board.

The procedures and sufficient contact details for putting forward proposals at shareholders' meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out in paragraph headed "**How shareholders can convene an extraordinary general meeting**" above.

Procedures for proposing a person for election as a director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Announcements and Circulars section of the Company's website at http://www.petro-king.cn.

INVESTOR RELATIONS

The Company has uploaded its memorandum and articles of association on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.petro-king.cn). On 31 May 2013, the Shareholders at the annual general meeting approved amendments to certain provisions in the articles of association of the Company to remove all references to the nominal value of the shares of the Company or paid-in capital. The second amended and restated articles of association of the Company was effective on 6 June 2013. Save as disclosed above, there are no other significant changes in the Company's constitutional documents.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2013, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

DIRECTORS

Executive Directors

Mr. Wang Jinlong (王金龍), aged 48, is our chairman, chief executive officer and executive Director. He was appointed as an executive Director on 31 December 2007 and is also a director of certain subsidiaries of the Group. Mr. Wang is primarily responsible for formulating our corporate strategy and overall operations of the Group. He has over 19 years of experience in the oil and gas industry. Mr. Wang founded our Group in April 2002 as the executive director and general manager of Petro-king Oilfield Technology Ltd. Prior to that, he worked at 菲利普斯中國有限公司 (Phillips China Inc.) (later known as 康菲石油中國有限公司 (ConocoPhillips China Inc.)) between 1994 and 2003 where he had served as a senior drilling/production engineer. Mr. Wang graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering degree majoring in drilling engineering in July 1986. Mr. Wang obtained a Mid-level Professional Qualification as an engineer in April 1993 issued by 中華人民共和國地質礦產部 (the PRC Ministry of Geology and Mineral Resources*), which was later reformed and incorporated into 中華人民共和國國土資源部 (the PRC Ministry of Land and Resources*), and a qualification of senior engineer issued by CNOOC in March 2002. Mr. Wang has been recognised for his contributions to the development of the technology of geology and was awarded certificates for such contributions by the PRC Ministry of Geology and Mineral Resources in December 1996. Mr. Wang is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Wang's strong expertise in the oil and gas industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Wang enables more effective and efficient overall business planning, decision making and implementation thereof by our Group. In order to maintain good corporate governance and fully comply with code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Mr. Zhao Jindong (趙錦棟), aged 50, is our vice president and executive Director. He joined our Group in 2003 as a vice general manager. He was appointed as an executive Director on 24 December 2012 and is also a director of certain subsidiaries of the Group. Mr. Zhao has over 29 years of experience in drilling and completion services of the oil and gas industry. Before joining our Group, Mr. Zhao was the senior drilling and completion engineer at 康菲石油公司 (ConocoPhillips Oil Company) from October 2002 to December 2003. He was employed by Conoco Phillips China Inc. from October 1997 to October 2002 where he was recognised for his exemplary performance and contributions to the operations in Xinjiang. Mr. Zhao started his career as an engineer trainee at 地質礦產部石油鑽井研究所 (Drilling Institute of Minority of Geology*) in December 1983. He continued his employment with the Drilling Institute of Minority of Geology where he became a senior engineer and an assistant manager of the drilling development department. Mr. Zhao graduated from 中國地質大學 (China Geology University*) with a diploma in drilling engineering in 1988.

Non-executive Directors

Mr. Lee Tommy (李銘浚), aged 37, is a non-executive Director. He joined our Group in December 2007 as a director of Petro-king Holding Limited. He was appointed as a non-executive Director on 31 December 2007. Mr. Lee has been the vice chairman and chief executive officer of Termbray Industries International (Holdings) Limited, (the "**Termbray Industries**") since 2008 and 2010 respectively. Prior to that, he was a vice president of a private company which is principally engaged in the manufacture and sale of printed circuit board from 2001 to 2008. He was primarily responsible for the overall management and strategic planning of this private company. Mr. Lee studied Economics in Seneca College of Canada.

Ms. Ma Hua (馬華), aged 38, is our non-executive Director. She was appointed as a non-executive Director on 12 June 2012. She is now the executive director of TCL 創業投資有限責任公司 (TCL Capital*). She was TCL Corporation's employee from January 2003 to February 2008 acting as the chairman s corporate secretary. Prior to that, Ms. Ma had already been employed by TCL 國際控股 (TCL International Holdings Ltd.) as an investor relations personnel from July 2001 to January 2003. Ms. Ma Hua obtained her Master of Business Administration from 中國人民大學 (Renmin University of China*) in January 2004 and graduated from 太原理工大學 (Taiyuan Technology University*) with a Bachelor degree double majoring in industry and foreign trade/English language in July 1998.

Mr. Ko Po Ming (高寶明), aged 55, is our non-executive Director. He was appointed as a non-executive Director on 18 February 2013. Mr. Ko graduated from The Chinese University of Hong Kong in 1982 with a Bachelor's degree in Business Administration. Mr. Ko has over 31 years of experience in finance and investment banking business. Prior to co-founding Goldbond Capital Holdings Limited ("**GCHL**") in 2003, he was the Head of Asian Corporate Finance of BNP Paribas Peregrine Capital Limited where he was in charge of the corporate finance business in Asia. GCHL was acquired by Piper Jaffray Companies (NYSE: PJC) in 2007 and its name was changed to Piper Jaffray Asia Holdings Limited ("**PJA**"). Since then and until September 2012, Mr. Ko served as the chief executive officer of PJA. Mr. Ko joined China Minsheng Banking Corp., Ltd Hong Kong Branch as a consultant in October 2012. Mr. Ko had acted as independent non-executive directors of a number of Hong Kong and PRC listed companies, including (i) Nanjing Panda Electronics Company Limited (stock code: 553) between 1996 and 1999; (ii) Dazhong Transport (Group) Company Limited (SHA: 600611) between 1997 and 2003; (iii) Chinese Energy Holdings Limited (formerly known as iMerchants Limited (stock code: 8009)) between 2000 and 2004; and (iv) Tianjin Capital Environmental Protection Group Company Limited (stock code: 1065) between 2003 and 2009. He was a Listing Committee member of the Main Board and GEM Board of the Stock Exchange between May 2003 and June 2009. At present, he is an adviser of Minmetals Capital (Hong Kong) Limited, a non-executive director of Globe Metals and Mining Limited (ASX: GBE), a compliance committee member of China Yinsheng Finance (Holding) Limited in Hong Kong and also a trustee of St. Johnsbury Academy, an independent day and boarding secondary school. St. Johnsbury Academy is a non-profit corporation under section 501(c)(3) of the Internal Revenue Code in the United States of America.

Independent Non-executive Directors

Mr. He Shenghou (何生厚), aged 67, is our independent non-executive Director. He was appointed as an independent non-executive Director on 18 February 2013. Mr. He obtained his diploma in production engineering from 北京石油學院 (Beijing Petroleum Institute, now known as China University of Petroleum*) in July 1970. He has over 39 years of experience in oilfield development engineering and technology research and practice while being employed by Sinopec. Mr. He retired in December 2008 as Sinopec's vice executive commander. Mr. He is involved in several committees. He was a committee member of Sinopec's Science and Technology Committee. Since December 2000, Mr. He has been the vice chairman of 中國造船工程學會 (Chinese Society of Naval Architects and Marine Engineers*). He has also been the chairman of 石油工業標準化技術委員會第五屆油氣田開發專業委員會 (the Fifth Oil and Gas Development Professional Committee for the Oil Industry Standardisation Technology Committee*) since October 2001. Mr. He has been the vice chairman of 第六屆中國石油學會石油工程學會 (the Sixth China Petroleum Institute Petroleum Engineering Society*) since January 2004. In November 2007, Mr. He was engaged as a committee member of "**大型油氣田及煤層氣開發**"重大專項實施方案論證委員會 (the "**Large-scale Oil and GasFields and CBM Development**" Major Projects Implementation Planning Committee*) by the NDRC, the Ministry of Finance and the Ministry of Science and Technology. Mr. He has numerous achievements throughout his career. A recent achievement is the receipt of a Scientific Development Award certificate from 中國石油和化學工業聯合會 (China Petroleum and Chemical Industry Federation*) in October 2011.

Mr. Tong Hin Wor (湯 顯 和), aged 68, is our independent non-executive Director. He was appointed as an independent non-executive Director on 18 February 2013. He holds a diploma in management studies from the Hong Kong Polytechnic University. Mr. Tong has over 31 years of working experience in financial management. He was appointed as an independent non-executive director of Termbray Industries in 2008 where he has also been serving as a member of the audit committee. Mr. Tong was the group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004 and the group controller of Elec & Eltek (International) Limited in 1995. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993.

Mr. Wong Lap Tat Arthur (黃立達), aged 54, is our independent non-executive Director. He was appointed as an independent non-executive Director on 18 February 2013. He is also the chairman of our audit committee. Mr. Wong has more than 31 years of experience in the field of accounting. He is currently the chief financial officer of 北京瑞迪歐文化傳播有限責任公司 (Beijing Radio Cultural Transmission Co., Ltd.*). He was the chief financial officer of GreenTree Inns Hotel Management Group, Inc. from February 2011 to May 2012. He had also previously acted as the chief financial officer of Nobao Renewable Energy Holdings Limited from March 2010 to November 2010 and of Asia New-Energy Holdings Pte. Ltd. from June 2008 to December 2009. Prior to that, Mr. Wong built his career at Deloitte Touche Tohmatsu from July 1982 to May 2008 where he left as a partner of the Beijing office. Mr. Wong received a Bachelor of Science in applied economics from the University of San Francisco in 1988 and completed a higher diploma of accountancy at Hong Kong Polytechnic University in 1982. He obtained his CPA accreditation from both the American Institute of CPAs and the Hong Kong Institute of CPAs. He is also a member of the Chartered Association of Certified Accountants. He is currently an independent non-executive director and the chair of the audit committee of Besunyen Holdings Company Limited (stock code: 926), VisionChina Media Inc.(NASDAQ: VISN), China Automotive Systems, Inc. (NASDAQ: CAAS), Daqo New Energy Corp. (NYSE: DQ) and You On Demand Holdings, Inc. (NASDAQ: YOD).

SENIOR MANAGEMENT

Ms. Sun Jinxia (孫金霞), aged 39, is our vice president. She is also a director of certain subsidiaries of the Group. Ms. Sun is responsible for the Group's daily operation of the business department. She joined our Group in 2003 as an assistant to general manager. She has over 16 years of experience in business management. Ms. Sun was a sales manager of 深圳威尼斯酒店 (the Venice Hotel Shenzhen*) between October 2001 and July 2002. Prior to that, she was a sales supervisor and sales manager of 深圳南海酒店有限公司 (Shenzhen Nanhai Hotel Limited*) from July 1997 to April 1998 and from April 1998 to June 2000, respectively. She completed her Master of Business Administration at the University of Ballarat, Australia in July 2004.

Mr. Zhang Taiyuan (張太元), aged 49, is our vice president. He is also a director of certain subsidiaries of the Group. He joined our Group in 2004 as a senior drilling supervisor and has been subsequently promoted to director of international projects and also to vice president. Mr. Zhang has over 27 years of experience in project management and drilling engineering of the oil and gas industry. He was an offshore drilling supervisor of Devon Energy China Ltd. prior to joining our Group from December 2002 to December 2004. Between January 2002 and December 2002, he was a project manager of CNPC. Mr. Zhang acted as a CNPC engineering professional representative for CNPC-Burlington (then known as CNPC-ENRON) from October 1997 to January 2002. Prior, he was employed by 川中油氣公司 (Chuanzhong Oil and Gas Company of SPA*) from August 1986 where he acted as a drilling engineer. He graduated from 西南石油學院 (Southwest Petroleum Institute*) in 1986 with a Bachelor of Engineering degree, majoring in drilling engineering. Mr. Zhang has accomplished numerous trainings including the IWCF Drilling Supervisor Level Practical Assessment & Written Test Programme and the Training of Hydrogen Sulfide Safety.

Mr. Shu Wa Tung Laurence (舒華東), aged 41, joined the Group in July 2010 as our chief financial officer and he is primarily responsible for the Group's overall financial strategies and daily management of the Group's financial and accounting functions. He is also a director in certain subsidiaries of the Group. Mr. Shu graduated from Deakin University, Australia in 1994 with a Bachelor degree in Business majoring in Accounting. He received his CPA accreditation from both the Hong Kong Institute of CPAs and the Australian Society of CPAs in 1997 and completed his CFO Programme at 中歐國際工商學院 (China Europe International Business School) in 2009. Mr. Shu has over 19 years of experience in audit, corporate finance, and financial management. He joined Deloitte in 1994 and later became a manager of the Reorganisation Services Group of Deloitte and joined Deloitte & Touche Corporate Finance Limited (a corporate finance service company of Deloitte) as a manager from 2001 to 2002. From 2002 to 2005, Mr. Shu was an associate director of Goldbond Capital (Asia) Limited. From May 2005 to July 2008, he served as the chief financial officer and company secretary of Texhong Textile Group Limited (stock code: 2678) overseeing the group's financial management functions. From July 2008 to June 2010, Mr. Shu served as the chief financial officer of Rongsheng Heavy Industries Holdings Limited (熔盛重工控股有限公司) and oversaw the group's financial management functions and corporate finance activities as well as the daily management of the group's finance department. He is currently an independent non-executive director of Greater China Holdings Limited (stock code: 431).

Mr. Wong Kwok Ping Albert (王國平), aged 60, is our chief technology officer. As our chief technology officer, Mr. Albert Wong oversees the technology development department of our Group. He is also a director/legal representative in certain subsidiaries of the Group. He joined our Group in 2011 after our acquisition of a majority of interests in Sheraton Investment Worldwide Ltd. Mr. Albert Wong has over 13 years of experience in the oil and gas industry. He has been the managing director for both Star Petrotech Pte. Ltd and Stelkraft Coiled Tubing and Pumps Pte Ltd since 2009. Mr. Albert Wong was a Design cum Quality Manager in Halliburton Manufacturing in Singapore from 1990 to 1997. He was recognised by his previous employer to possess vast experience in the designing and development of downhole completion products. Mr. Albert Wong obtained his Master of Business Administration degree from the University of Warwick in UK in July 1995 and received his Bachelor of Science in mechanical engineering from Texas A & M University in USA in 1978. He is a member of the Society of Mechanical Engineers (ASME) and the Society of Petroleum Engineers (SPE). He received a Professional Engineer License from Texas Board of Professional Engineers, U.S..

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie Qingfan (謝慶繁), aged 50, is our vice president and chief engineer primarily responsible for the research and development of technologies for the Group, the organization and division, of the technical management of the Group and standardization of the management of technologies. He joined our Group in 2006 as the manager of the northwest region. Mr. Xie has over 31 years of experience in the oil and gas industry. He had acted in various roles during his employment with 中石化中原石油勘探局 (Sinopec Zhongyuan Petroleum Exploration Bureau) between 1982 to 2005; such as engineering service centre director of the 鑽井工程技術研究院 (Drilling Engineering and Technology Research Institute*) in 2001, deputy chief engineer of the 鑽井管具工程處 (Drilling Pipe Tool Engineering Department*) in 2002, and senior engineer in 2005. He received numerous certificates for his contributions to this bureau from as early as 1985. For instance, he was presented with a Technology Advancement Certificate for his research on technology to prevent failure of drilling tools in February 2006 and for his research and development of PDC drill heads in February 2003. Mr. Xie completed a training course of electrical wireline freepoint & backoff provided by HOMCO in 1993 and received training for the operation of motorised freepoint equipment held by Applied Electronic Systems, Inc. in 2001. He graduated from 石油大學 (Petroleum University*) with a Bachelor degree majoring in mine machinery in July 1996.

Mr. Yuan Fucun (袁夫存), aged 44, is our vice president. He joined our Group in 2013 and he is primarily responsible for the management of the international project department, exploration & production department, and several other departments. Mr. Yuan has over 22 years of experience in offshore drilling and completion management of the oil and gas industry. Mr. Yuan was employed as Drilling Manager, Senior Drilling Engineer, Drilling Superintendent of Schlumberger Group, and responsible for IPM integrated project management and drilling engineering and technical services in Russia, the Middle East, Algeria. He was highly praised for his outstanding performance and contributions. Mr. Yuan has worked for Conoco Phillips China Inc. for 12 years, and worked as Xijiang Drilling, Completion Services Manager, Senior Reservoir, Production Engineer, Senior Drilling Engineer, Senior Production, Completion Engineer, Engineers and so on. Mr. Yuan graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering, majoring in offshore petroleum engineering in 1992.

Mr. Pan Yuxin (潘玉新), aged 37, is our vice president. He joined our Group in 2011 and he is primarily responsible for the management of domestic market. Mr. Pan has over 19 years of experience in oil and gas service industry. He has worked as Northeast Project Manager, North China Project Manager, Southwest Project Manager, Marketing Director and Vice President for 北京一龍恒業石油工程技有限公司. He has worked as field and sales department manager for Anton Oilfield Services Group. He has been in charge of water injection station, oil production station and oil producing region for Zhongyuan oilfield. Mr. Pan graduated in July 1995 from the Zhongyuan Oilfield Petroleum School.

Mr. Lin Jingyu (林景禹), aged 40, is our vice president. Mr. Lin Jingyu is responsible for the engineering and technology of our production enhancement department and Jiaoshiba project department. He joined our Group in 2008 as a senior engineer. He has over 18 years of experience in the exploration and development technology of oilfields. From July 2006 to August 2008, Mr. Lin Jingyu served as the vice president and senior engineer of the Acid Fracturing Research Centre of the Research Institute of Petroleum Engineering and Technology of Sinopec Henan Oilfield Company (中石化河南油田分公司石油工程技術研究院壓裂酸化研究所). Before then, he was the office director and engineer of the Acid Fracturing Research Centre of the Research Institute of Petroleum Engineering and Technology of Henan Oilfield Company. From July 1996 to July 2000, he was the assistant engineer of Henan Oilfield and Oil Production Technology Research Institute (河南油田採油工藝研究所). Before then, Mr. Lin Jingyu obtained a Master degree in oil, gas and oilfields exploration from the School of Petroleum Engineering of Yangtze University (formerly known as Jianghan Petroleum Institute) (長江大學石油工程學院(原江漢石油學院)). From September 1992 to June 1996, he obtained a Bachelor degree in petroleum engineering from Xi'an Petroleum Institute (西安石油學院). In addition, Mr. Lin Jingyu participated in international investment and project management for oil and gas exploration and development in Imperial College London during September 2005 to March 2006.

Ms. Zhang Xiling, aged 53, joined our Group in 2011 as a assistant general manager and she is primarily responsible for project management and market development in equipment supplies and engineering services in the Middle East and China. She has over 18 years of experience in the oil and gas industry. Prior to joining our Group, she was employed by 油企信通（北京）科技發展有限公司 (Infopetro Technology Development Ltd.) as a general manager from May 2002 to January 2011. She was employed by CNPC as the deputy chief of the engineering department between August 1982 and May 1989. Ms. Zhang received her Masters degree of science in petroleum engineering from the University of Alberta, Canada on 18 November 1993.

Mr. Chen Liang (陳亮), aged 40, is our assistant general manager and our manager of the unconventional oil and gas project department. He is primarily responsible for unconventional oil and gas project management and sales of multistage fracturing and acidising downhole systems. Mr. Chen has over 12 years of experience in the oil and gas industry. Before joining our Group in April 2012, he was, for some time, simultaneously the senior assistant president and completions director of 華油能源集團有限公司 (SPT Energy Group In c.) between August 2005 and March 2012. From July 2001 to 2005, Mr. Chen was an employee of Schlumberger. He received his Masters degree in oil and gas exploration engineering in 2001 and obtained his Bachelors degree in petroleum engineering majoring in production engineering in 1996 at 江漢石油學院 (JiangHan Petroleum University*). Mr. Chen accomplished numerous trainings from 2001 to 2010 including the OPITO approved Basic Offshore Safety Induction Emergency Training in August 2001, the Well Completion & Productivity Course held by Network of Excellence in Training (NExT) in September 2001, the OFS-3: People Management Course in Beijing organised by Schlumberger in June 2004 and completed a shale gas ATW training held by the Society of Petroleum Engineers (SPE) continuing education courses in 2011. Mr. Chen has been a member of the SPE since 2008.

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗), aged 52, was appointed as the company secretary of our Company on 18 February 2013. He is the senior partner of Tung & Co., a law firm providing legal advice as to Hong Kong laws to our Group since 2009. He holds a Bachelor of Arts degree in law and accounting from The University of Manchester, the United Kingdom. He has over 21 years of experience as practising lawyer in Hong Kong. He is also a China-Appointed Attesting Officer. Mr. Tung currently serves as a joint company secretary of Jiangxi Copper Company Limited (stock code: 358), Harbin Electric Company Limited (stock code: 1133) and Qingling Motors Co. Ltd (stock code: 1122) and the sole company secretary of Yunbo Digital Synergy Group Limited (stock code: 8050), respectively. He is currently the internal legal adviser of Silver Grant International Industries Limited (stock code: 171). Mr. Tung is also an independent non-executive director of ICube Technology Holdings Limited (stock code: 139).

Mr. Tung is an external service provider engaged by us as our company secretary and Mr. Shu Wa Tung Laurence (舒華東), our Chief Financial Officer, will be the key contact person with whom Mr. Tung can contact.

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)

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

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AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS (HONG KONG LAW)

Tung & Co.
In association with Jia Yuan Law Office

COMPANY'S WEBSITE

www.petro-king.cn

STOCK CODE

2178

The directors of the Company (the "**Directors**") hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013.

THE COMPANY AND INITIAL PUBLIC OFFERING

The Company was incorporated in the British Virgin Islands with limited liability on 7 September 2007. It was formerly known as "**Termbray Oilfield Services (BVI) Ltd. (添利油田服務(英屬維爾京群島)有限公司)**". Its name was changed to "**Termbray Petro-king Oilfield Services (BVI) Limited (添利百勤油田服務(英屬維爾京群島)有限公司)**" on 13 March 2008 and was further changed to "**Termbray Petro-king Oilfield Services Limited (添利百勤油田服務有限公司)**" on 9 August 2012. As fully explained in the section headed "**History and Development**" in the Company's prospectus dated 22 February 2013 (the "**Prospectus**"), the Company has since its incorporation become the ultimate holding vehicle of the Group's various arms of business. The Company has completed its initial public offering and the shares of the Company were listed on the Stock Exchange on 6 March 2013 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on pages 62 to 64.

The Directors recommend the payment of a final dividend of 5 HK cents per ordinary share of the Company in respect of the year ended 31 December 2013 to all shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 27 June 2014, which is expected to be paid on or about 25 July 2014 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's initial public offering, 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 31 December 2013, HK$461.13 million was applied in accordance with proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, and more than half of the applied proceeds was used in the acquisition of a range of production enhancement related tools and equipments, while the rest was used in the construction of the Huizhou Base, investment in the Group's research and development in new services and technologies, and enhancement of regional offices in China and overseas, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 15 and 25 respectively, to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$71,113,974 as computed in accordance with the BVI Business Companies Act 2004 (and any amendments thereto), of which HK$53,405,022 has been proposed as final dividends for the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 78% of the Group's total revenue. The amount of revenue to the Group's largest customer represented approximately 34% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 31% of the Group's total purchases. The amount of purchases to the Group's largest supplier represented approximately 10% of the Group's total purchases.

None of the Directors nor any of their associates nor any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The Directors during the year were as follows:

Executive Directors:

Mr. Wang Jinlong (appointed on 31 December 2007)
Mr. Zhao Jindong (appointed on 24 December 2012)

Non-executive Directors:

Mr. Ko Po Ming (appointed on 18 February 2013)
Mr. Lee Lap (appointed on 10 September 2007 and resigned on 18 February 2013)
Mr. Lee Tommy (appointed on 31 December 2007)
Ms. Ma Hua (appointed on 12 June 2012)

Independent non-executive Directors:

Mr. He Shenghou (appointed on 18 February 2013)
Mr. Tong Hin Wor (appointed on 18 February 2013)
Mr. Wong Lap Tat Arthur (appointed on 18 February 2013)

Mr. Wang Jinlong, Mr. Lee Tommy and Mr. Wong Lap Tat Arthur will retire at the forthcoming annual general meeting in accordance with Article 75 of the Company's articles of association respectively and, being eligible, will offer themselves for re-election.

The Company has received annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from all independent non-executive Directors and the Board still considers them independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from 18 February 2013 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Wang Jinlong	HK$180,000 as Director and RMB1,040,000 as chief executive officer
Mr. Zhao Jindong	HK$180,000 as Director and RMB680,000 as vice president

Each of the non-executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from 18 February 2013 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these non-executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). A non-executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The current basic annual salaries of the non-executive Directors are as follows:

Name	Amount
Mr. Lee Tommy	HK$180,000
Ms. Ma Hua	HK$180,000
Mr. Ko Po Ming	HK$300,000

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from 18 February 2013 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The annual remuneration payable to the independent non-executive Directors under each of the letters of appointment is as follows:

Name	Amount
Mr. He Shenghou	HK$180,000
Mr. Tong Hin Wor	HK$180,000
Mr. Wong Lap Tat Arthur	HK$300,000

Save as disclosed above, none of the Directors has or is proposed to have any service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

EMOLUMENT POLICY

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to the Group.

The Company has also adopted a share option scheme as incentive to eligible employees, details of which are set out in the section headed "**Share Option Scheme**" below.

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 31 December 2013, 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 for Securities Transactions by the Directors of Listed Issuers 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 our Company**
Mr. Wang Jinlong *(Note 2)*	Interest in a controlled corporation	327,410,414(L)	30.65%
Mr. Lee Tommy *(Note 3)*	Beneficiary of trust	340,774,104(L)	31.90%
Mr. Ko Po Ming	Beneficial interest	1,000,000(L)	0.09%

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 30.48% 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 31 December 2013, 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 our 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 for Securities Transactions by the Directors of Listed Issuers and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, 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 our Company**
Mr. Lee Lap *(Note 2)*	Settlor of a discretionary trust	340,774,104(L)	31.90%
First Trend Management (PTC) Limited *(Note 2)*	Trustee	340,774,104(L)	31.90%
HSBC International Trustee Limited *(Note 2)*	Trustee	340,774,104(L)	31.90%
Lee & Leung (B.V.I.) Limited *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	31.90%
Termbray Industries *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	31.90%
Termbray Electronics (BVI) *(Note 2)*	Interest in a controlled corporation	340,774,104(L)	31.90%
Termbray Natural Resources	Beneficial owner	340,774,104(L)	31.90%
TCL Corporation *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	6.95%
T.C.L. Industries Holdings (H.K.) Limited ("**TCL HK**") *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	6.95%
Excel Top Holdings Limited *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	6.95%
Jade Max Holdings Limited *(Note 3)*	Interest in a controlled corporation	74,242,724(L)	6.95%
Jade Win Investment Limited	Beneficial owner	74,242,724(L)	6.95%
Ms. Zhou Xiaojun *(Note 4)*	Interest of spouse	327,410,414(L)	30.65%
King Shine	Beneficial owner	327,410,414(L)	30.65%

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 31 December 2013, 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 our 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.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

Mr. Wang Jinlong and Mr. Zhao Jindong are directors of King Shine which is a substantial Shareholder of the Company.

Mr. Wang Jinlong was a director of Termbray Industries, which is a substantial shareholder of the Company, from December 2007 to November 2010.

Mr. Lee Tommy is a director of Termbray Industries which is a substantial Shareholder of the Company.

Ms. Ma Hua was an employee of TCL Corporation, which is a substantial Shareholder of the Company, from January 2003 to February 2008 acting as the chairman's corporate secretary.

Mr. Tong Hin Wor was appointed as an independent non-executive director of Termbray Industries, which is a substantial Shareholder of the Company, in 2008 where he has also been serving as a member of the audit committee.

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 31 December 2013, 42,244,108 share options have been granted under the Pre-IPO Share Option Scheme, 21,719,757 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 31 December 2013:

Grantees	Number of options granted at Listing	Options exercised since Listing	Options lapsed/ cancelled since Listing	Options outstanding as at 31 December 2013
Employees and senior management	42,244,108	21,719,757	5,939,418	14,584,933

Save as disclosed above, at no time during the year 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.

Details of the Pre-IPO Share Option Scheme are stated in note 25 to the consolidated financial statements.

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. As at 31 December 2013, 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 of the Company 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2013, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur, Mr. Tong Hin Wor and Mr. He Shenghou. The principal duties of the audit committee of the Company are to review and approve our Group's financial reporting process and internal control system.

The audit committee of the Company has reviewed with the management about the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

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

The shares of the Company were listed on the Stock Exchange on 6 March 2013. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2013.

CONTINUING CONNECTED TRANSACTION

Certain continuing connected transactions during the year were required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules:

(1) On 19 September 2011, Petro-king Holding Limited ("**Petro-king Hong Kong**") and Mr. Albert Wong entered into a guarantee (the "**Guarantee**"), pursuant to which Mr. Albert Wong shall guarantee 49% of the payment obligations of Sheraton Investment Worldwide Ltd ("**Sheraton Investment**") under a loan agreement dated 12 September 2011 (the "**Loan Agreement**") entered into between Petro-king Hong Kong (as lender) and Sheraton Investment (as borrower) in respect of a loan amount of US$1,000,000 (the "**Loan**") at an interest rate of 6% per annum. Pursuant to the Loan Agreement, the Loan shall be repayable on 26 August 2012. On 19 October 2012, Petro-king Hong Kong, Sheraton Investment and Mr. Albert Wong entered into a supplemental agreement as supplemental to the Loan Agreement, which provides that, among other things, (i) the payment date of the Loan is extended to 26 August 2013; and (ii) Mr. Albert Wong acknowledged the above extension and agreed that the Guarantee remains effective during such extension period. On 25 August 2013, Petro-king Hong Kong, Sheraton Investment and Mr. Albert Wong further entered into a supplemental agreement as supplemental to the Loan Agreement, which provides that, among other things, (i) the payment date of the Loan is further extended to 26 August 2014; and (ii) Mr. Albert Wong acknowledged the above further extension and agreed that the Guarantee remains effective during such further extension period until Mr. Albert Wong ceases to be a shareholder of Sheraton Investment.

    Sheraton Investment was a non-wholly owned subsidiary of the Company and was owned as to 51% and 49% by the Company (through its shareholding in Hero Gain Investments Limited) and Natural Peak Overseas Ltd ("**Natural Peak**") respectively. On 25 November 2013 and 2 December 2013 respectively, the completion of the third tranche of the Initial Sheraton Acquisition and the Final Sheraton Acquisition took place and Sheraton Investment became an indirect wholly-owned subsidiary of the Company. As Mr. Albert Wong ceased to be a shareholder of Sheraton Investment, pursuant to the supplemental agreement entered into on 25 August 2013, the Guarantee was released accordingly.

Before the completion of the Final Sheraton Acquisition, Natural Peak was a connected person of the Company (at the level of the Company's subsidiary) only by virtue of its substantial shareholding in Sheraton Investment. The provision of the Guarantee by Mr. Albert Wong, being a substantial shareholder of Natural Peak, a then connected person of the Company, to Sheraton Investment constituted a connected transaction of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules.

The independent non-executive Directors confirm that the Guarantee was entered into on normal commercial terms where no security over the assets of the Company was granted in respect of the Guarantee.

(2) On 2 August 2011, 深圳市弗賽特檢測設備有限公司 (Shenzhen Fluid Science & Technology Co., Ltd.) ("**Shenzhen FST**") (as tenant) and Ms. Chen Hongli (as landlord) entered into a tenancy agreement (the "**Shenzhen Tenancy Agreement**") in respect of the office premises located at Unit No. 2010, Block West, Haian Building, Commercial Cultural Centre District, Nanshan District, Shenzhen City, the People's Republic of China of 131.3 square meters (the "**Office Premises**") for a term of two years commencing from 15 August 2011 at a monthly rental of RMB9,825. On 2 September 2013, Shenzhen FST and Ms. Chen Hongli entered into a new tenancy agreement in respect of the Office Premises (the "**New Shenzhen Tenancy Agreement**", together with the Shenzhen Tenancy Agreement, the "**Tenancy Agreements**") for a term of two years commencing from 15 August 2013 at a monthly rental of RMB11,000.

Given that Ms. Chen Hongli is interested in 16% equity interests in Shenzhen FST, a non-wholly owned subsidiary of the Company, Ms. Chen Hongli, being a substantial shareholder of Shenzhen FST, is a connected person of the Company. The annual rental payable by Shenzhen FST to Ms. Chen Hongli under the Shenzhen Tenancy Agreement and the New Shenzhen Tenancy Agreement will be approximately RMB117,900 and RMB132,000 respectively.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors reviewed the above continuing connected transactions and confirmed that they were entered into (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms, and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the auditor of the Company was engaged to conduct certain assurance procedures in respect of the Group's continuing connected transaction in item (1) above in accordance with Hong Kong Standard on Assurance Engagements 3000 "**Assurance Engagements Other Than Audits or Reviews of Historical Financial Information**" and with reference to Practice Note 740 "**Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules**" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed to the Board in writing that for the year ended 31 December 2013, nothing has come to attention that causes the auditor to believe that the continuing connected transactions above (i) have not been approved by the Company's board of directors and (ii) were not entered into, in all material respects, in accordance with the relevant agreements government such transaction.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 25 to 32.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules since the Listing Date and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board

Wang Jinlong
Chairman

Hong Kong, 20 March 2014

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF
Termbray Petro-king Oilfield Services Limited
(incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Termbray Petro-king Oilfield Services Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 59 to 164, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosures requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2013 HK$	2012 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**293,367,628**	157,092,704
Intangible assets	*7*	**570,086,032**	571,619,992
Land use right	*8*	**12,042,244**	–
Other receivables, deposits and prepayments	*11*	**15,483,332**	11,325,756
Deferred tax assets	*19*	**2,938,116**	1,590,783
		893,917,352	741,629,235
Current assets			
Inventories	*10*	**298,595,476**	163,269,915
Trade receivables	*11*	**1,004,403,841**	649,550,014
Other receivables, deposits and prepayments	*11*	**146,103,272**	106,243,772
Pledged bank deposits	*12*	**160,699,613**	34,832,005
Cash and cash equivalents	*13*	**345,446,842**	136,810,868
		1,955,249,044	1,090,706,574
Total assets		**2,849,166,396**	1,832,335,809
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**1,634,591,001**	671,891,801
Other reserves	*16*	**36,174,501**	50,496,932
Retained earnings			
– Proposed dividends	*30*	**53,405,022**	120,000,000
– Others		**466,872,665**	210,214,537
		2,191,043,189	1,052,603,270
Non-controlling interests		**34,523,674**	38,234,999
Total equity		**2,225,566,863**	1,090,838,269

	Note	As at 31 December 2013 HK$	2012 HK$
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	19	**14,589,423**	11,821,404
		14,589,423	11,821,404
Current liabilities			
Trade payables	17	**243,373,379**	298,241,083
Other payables and accruals	17	**109,464,337**	198,961,762
Forward share exchange contract		**–**	1,335,185
Current income tax liabilities		**22,749,194**	32,448,603
Bank borrowings	18	**233,423,200**	198,689,503
		609,010,110	729,676,136
Total liabilities		**623,599,533**	741,497,540
Total equity and liabilities		**2,849,166,396**	1,832,335,809
Net current assets		**1,346,238,934**	361,030,438
Total assets less current liabilities		**2,240,156,286**	1,102,659,673

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 164 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

BALANCE SHEET

	Note	As at 31 December 2013 HK$	2012 HK$
ASSETS			
Non-current assets			
Investments in subsidiaries	*37*	**1,153,534,733**	284,300,993
Current assets			
Other receivables and prepayments	*11*	**565,388,327**	523,718,864
Cash and cash equivalents	*13*	**8,156,777**	–
Total current assets		**573,545,104**	523,718,864
Total assets		**1,727,079,837**	808,019,857
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**1,634,591,001**	671,891,801
Other reserves	*16*	**13,008,237**	21,345,565
Accumulated gains/(losses)	*35*	**71,113,974**	(17,388,327)
Total equity		**1,718,713,212**	675,849,039
LIABILITIES			
Current liabilities			
Other payables and accruals	*17*	**8,366,625**	132,170,818
Total liabilities		**8,366,625**	132,170,818
Total equity and liabilities		**1,727,079,837**	808,019,857
Net current assets		**565,178,479**	391,548,046
Total assets less current liabilities		**1,718,713,212**	675,849,039

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 164 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 HK$	2012 HK$
Continuing operations			
Revenue	*5*	**1,060,434,801**	1,057,393,236
Other income	*20*	**2,406,217**	5,244,813
Operating costs			
Material costs	*10*	**(314,913,278)**	(507,776,146)
Depreciation of property, plant and equipment	*6*	**(19,615,366)**	(7,233,526)
Amortisation of intangible assets	*7*	**(8,448,875)**	(11,952,313)
Operating lease rental		**(13,772,219)**	(9,797,992)
Employee benefit expenses	*21*	**(168,385,310)**	(80,507,304)
Distribution expenses		**(18,571,683)**	(23,398,007)
Technical service fee		**(124,709,462)**	(140,647,249)
Research and development expenses		**(14,580,370)**	(5,670,769)
Entertainment and marketing expenses		**(28,668,183)**	(17,280,244)
Other expenses	*22*	**(94,734,842)**	(71,627,004)
Other gains/(losses)	*23*	**3,263,428**	(6,867,714)
Operating profit		**259,704,858**	179,879,781
Finance income	*26*	**12,744,503**	120,644
Finance costs	*26*	**(12,988,735)**	(7,503,593)
Finance costs, net		**(244,232)**	(7,382,949)
Share of loss of a jointly controlled entity		**–**	(43,226)
Gain on disposal of a jointly controlled entity		**–**	47,742,893
Profit before income tax		**259,460,626**	220,196,499
Income tax expense	*27*	**(48,954,479)**	(46,114,300)
Profit for the year from continuing operations		**210,506,147**	174,082,199
Discontinued operations			
Profit for the year from discontinued operations	*14*	**–**	10,608,779

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	**HK$**	HK$
Profit for the year		**210,506,147**	184,690,978
Other comprehensive income			
Item that may be classified subsequently to profit or loss:			
Currency translation differences		**37,656,636**	1,665,300
Total comprehensive income for the year		**248,162,783**	186,356,278
Profit for the year attributable to:			
Owners of the Company		**196,600,131**	178,346,753
Non-controlling interests		**13,906,016**	6,344,225
		210,506,147	184,690,978
Total comprehensive income for the year attributable to:			
Owners of the Company		**233,213,449**	179,921,232
Non-controlling interests		**14,949,334**	6,435,046
		248,162,783	186,356,278
Profit attributable to owners of the Company arises from:			
Continuing operations		**196,600,131**	167,737,974
Discontinued operations		**–**	10,608,779
		196,600,131	178,346,753
Total comprehensive income attributable to owners of the Company			
Continuing operations		**233,213,449**	169,294,674
Discontinued operations		**–**	10,626,558
		233,213,449	179,921,232

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	**HK$**	HK$
Earnings per share from continuing and discontinued operating attributable to owners of the Company during the year	*29*		
Basic earnings per share			
From continuing operations (HK$ cents)		**20**	22
From discontinued operations (HK$ cents)		**–**	1
From profit for the year (HK$ cents)		**20**	23
Diluted earnings per share			
From continuing operations (HK$ cents)		**20**	22
From discontinued operations (HK$ cents)		**–**	1
From profit for the year (HK$ cents)		**20**	23
Dividends	*30*	**53,405,022**	120,000,000

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Other reserves (Note 16)	Retained earnings	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$
For the year ended 31 December 2013						
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
Comprehensive income						
Profit for the year	–	–	196,600,131	196,600,131	13,906,016	210,506,147
Other comprehensive income						
Currency translation differences	–	36,613,318	–	36,613,318	1,043,318	37,656,636
Total comprehensive income for the year	–	36,613,318	196,600,131	233,213,449	14,949,334	248,162,783
Total contributions by and distributions to owners of the Company recognised directly in equity						
Capitalisation issue *(note 15)*	100	–	–	100	–	100
Issuance of shares *(note 15)*	896,863,578	–	–	896,863,578	–	896,863,578
Issuance of ordinary shares related to acquisition of non-controlling interest of a subsidiary *(note 15)*	37,570,000	–	–	37,570,000	–	37,570,000
Transfer to statutory reserve	–	6,536,981	(6,536,981)	–	–	–
Exercise of share options	28,265,522	(8,337,328)	–	19,928,194	–	19,928,194
Total contributions by and distributions to owners of the Company	962,699,200	(1,800,347)	(6,536,981)	954,361,872	–	954,361,872
Changes in ownership interests in subsidiaries without change in control *(note 34)*	–	(49,135,402)	–	(49,135,402)	(18,660,659)	(67,796,061)
Total transactions with owners	962,699,200	(50,935,749)	(6,536,981)	905,226,470	(18,660,659)	886,565,811
Balance at 31 December 2013	1,634,591,001	36,174,501	520,277,687	2,191,043,189	34,523,674	2,225,566,863

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Other reserves *(Note 16)*	Retained earnings	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$
For the year ended 31 December 2012						
Balance at 1 January 2012	662,644,041	47,689,553	273,100,684	983,434,278	19,561,171	1,002,995,449
Comprehensive income						
Profit for the year	–	–	178,346,753	178,346,753	6,344,225	184,690,978
Other comprehensive income						
Currency translation differences	–	1,552,585	–	1,552,585	90,821	1,643,406
Currency translation difference released upon disposal of a subsidiary	–	21,894	–	21,894	–	21,894
Total comprehensive income for the year	–	1,574,479	178,346,753	179,921,232	6,435,046	186,356,278
Total contributions by and distributions to owners of the Company recognised directly in equity						
Issue of share capital	9,247,760	–	–	9,247,760	–	9,247,760
Transfer to statutory reserve	–	1,232,900	(1,232,900)	–	–	–
Dividend	–	–	(120,000,000)	(120,000,000)	–	(120,000,000)
Total contributions by and distributions to owners of the Company	9,247,760	1,232,900	(121,232,900)	(110,752,240)	–	(110,752,240)
Capital injection from the non-controlling interest of a subsidiary	–	–	–	–	3,218,540	3,218,540
Non-controlling interests arising on business combination	–	–	–	–	9,020,242	9,020,242
Total transactions with owners	9,247,760	1,232,900	(121,232,900)	(110,752,240)	12,238,782	(98,513,458)
Balance at 31 December 2012	671,891,801	50,496,932	330,214,537	1,052,603,270	38,234,999	1,090,838,269

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2013 HK$	2012 HK$
Cash flows from operating activities			
Cash (used in)/generated from operations	*31*	**(288,566,108)**	173,189,124
Interest paid	*31*	**(11,044,915)**	(7,944,127)
Income tax paid		**(57,233,202)**	(34,660,408)
Net cash (used in)/generated from operating activities		**(356,844,225)**	130,584,589
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	2,885,164
Settlement of consideration payable for acquisition of a subsidiary		**–**	(49,347,037)
Purchases of property, plant and equipment		**(140,962,375)**	(140,506,043)
Purchases of intangible assets		**(3,311,730)**	(64,586)
Proceeds from disposal of property, plant and equipment	*31*	**834,435**	241,002
Prepayment for acquisition of land use right	*11*	**–**	(11,325,756)
Proceeds from disposal of a subsidiary, net of cash disposed		**–**	915,576
(Increase)/decrease in pledged bank deposits		**(121,788,294)**	13,988,823
Interest received		**5,270,885**	126,228
Advance to an associate	*36*	**–**	(2,840,391)
Repayment of advance to an associate	*36*	**–**	2,859,936
Repayment of loan to a third party		**–**	24,257,077
Net cash used in investing activities		**(259,957,079)**	(158,810,007)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2013 HK$	2012 HK$
		Year ended 31 December	
Cash flows from financing activities			
Acquisition of non-controlling interest a subsidiary	*34*	**(12,400,000)**	–
Proceeds from bank borrowings	*31*	**513,250,790**	422,754,560
Repayments of bank borrowings	*31*	**(473,129,768)**	(327,648,871)
Advance received from a related party	*36*	**3,029,684**	2,622,624
Repayment of advance from a related party	*36*	**(2,514,468)**	(2,511,345)
Capital injection from the non-controlling interests of a subsidiary		**–**	3,218,540
Net proceeds from issuance of ordinary shares		**962,928,294**	–
Dividend paid		**(120,000,000)**	–
Share issuance costs		**(46,136,422)**	(5,970,324)
Net cash generated from financing activities		**825,028,110**	92,465,184
Net increase in cash and cash equivalents		**208,226,806**	64,239,766
Cash and cash equivalents at beginning of year		**136,810,868**	72,633,116
Exchange gains/(losses) on cash and cash equivalents		**409,168**	(62,014)
Cash and cash equivalents at end of year	*13*	**345,446,842**	136,810,868

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

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.

On 6 March 2013, the shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and 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.

The Company's consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of derivative financial instruments that are measured at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Venezuela as a hyperinflationary economy

A Venezeulan subsidiary incorporated on 17 September 2012 commenced its operations in the current year. To date, a number of factors arose in the Venezuelan economy that trigger 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 ("**Bs**") 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 current financial statement amounts was carried out using Venezuela's consumer price index (INPC). In December 2013, the index was 498.1 (2012: 318.9) and the year-over-year change in the index was 56.2%.

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 statements, all components of the financial statements of the Venezuelan subsidiary were translated at the official exchange rate, which at 31 December 2013 was 6.30 Bolivares Fuertes per U.S. dollar (or 1.2307 H.K. dollars per Bolivar Fuerte).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have been adopted in preparing these consolidated financial statements:

IAS 1 (Amendment)	Presentation of Financial Statements
IAS 19 (Amendment)	Employee Benefits
IAS 27 (Revised)	Separate Financial Statements
IAS 28 (Revised)	Associates and Joint Ventures
IFRS 1 (Amendment)	First-time Adoption on Government Grants
IFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interest in Other Entities
IFRS 13	Fair Value Measurement
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2011	Improvements to IASs and IFRSs

Details of the new and revised IFRSs which are relevant to the Group's operations and have been adopted in the preparation of the consolidated financial statements are as below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Since the change in accounting standard only impacts on presentation aspects of the financial statements, there is no impact on earnings per share. The Company's consolidated financial statements for the year ended 31 December 2013 have been prepared under the revised disclosure requirements.

IFRS 12, 'Disclosures of Interests in Other Entities' provide the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company's consolidated financial statements for the year ended 31 December 2013 have been prepared under the revised disclosure requirements.

IFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned with other IFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company's consolidated financial statements for the year ended 31 December 2013 have been prepared under the revised disclosure requirements.

The adoption of the other new and revised IFRSs has no material effect on the Group's results and financial position for the current and prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New accounting standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not effective for the financial year end beginning 1 January 2013, and have not been early adopted in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IAS 19 (Amendment)	Defined Benefit Plans	1 July 2014
IAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Impairment of Assets	1 January 2014
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 9 (Amendment)	Financial Instruments – General Hedge Accounting	To be determined
IFRS 10, IFRS 12 and IAS 7	Exemption from Consolidation for Investment Entities	1 January 2014
IFRIC – Int 21	Levies	1 January 2014
Annual improvement 2012 and 2013	Improvements to IASs and IFRSs	1 July 2014

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group in the initial application and does not anticipate that the adoption will result in any material impact on the Group's operating results or financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

Investments made by means of joint venture structures where the Group or the Company controls the composition of the board of directors or equivalent governing body and/or is in a position to exercise control over the financial and operating policies of the jointly controlled entity are accounted for as subsidiaries.

Investment in a jointly controlled entity is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("**CODM**") is responsible for allocating resources and assessing performance of the operating segments.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit or loss.

Foreign exchange gains and losses that relate to bank borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses)'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over its estimated useful lives, as follows:

Leasehold improvements	Shorter of lease term or useful life of 5 years
Building	5 years
Plant and machineries	3-10 years
Motor vehicles	5-10 years
Computer equipment	3-5 years
Furniture and fixtures	3-5 years

The assets' residual values and useful lives are revised and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. No depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use.

Gains and losses on disposal are determined by comparing the proceeds with carrying amounts and are recognised within 'other gains/(losses), net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the reportable segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contractual customer relationships of approximately 0.5-1.5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(c) Contractual agreements on non-competition

Contractual agreements on non-competition acquired in a business combination are recognised at fair value at the acquisition date. The contractual agreements on non-competition have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contractual agreements on non-competition of approximately 4 years.

(d) Incomplete sales contracts

Incomplete sales contracts acquired in a business combination are recognised at fair value at the acquisition date. The incomplete sales contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the incomplete sales contracts of approximately 6 months.

(e) Computer software

Intangible assets comprised acquired computer software licenses which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

2.10 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in 'current assets', except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as 'non-current assets'. The Group's loans and receivables comprise 'trade and other receivables' (note 2.14), and 'cash and cash equivalents' (note 2.15) and 'pledged bank deposits' (note 2.16) in the balance sheet. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group's derivative instruments do not qualify for hedge accounting, and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated statement of comprehensive income with 'other gains/(losses)'.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any. In consolidated balance sheet, bank overdrafts are shown within bank borrowings in current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Pledged bank deposits

Pledged bank deposits represent the amounts of cash pledged as collateral to the banks for project bidding, issuing performance bonds or providing additional financing.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2.20 Borrowing costs

All borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

2.21 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entity, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Pension and employee social security and benefits obligations

(i) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for the employees in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong.

The Group pays fixed contributions into a trustee-administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to the plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(a) Pension and employee social security and benefits obligations (Continued)

(ii) Mainland China

The Group companies in the Mainland China participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the Mainland China. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Singapore

The Group's company in Singapore participates in Central Provident Fund ("**CPF**"), which is a defined contribution pension scheme. Contributions to CPF schemes are recognised as an expense in the period in which the related service is performed.

(iv) Venezuela

The Group's company in Venezuela participates in the social security plan and unemployment insurance plan of the Venezuelan Social Security Institute ("**IVSS**"). Contributions to the plans are recognized as an expense in the period in which the related service is performed.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payment

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (for example, an entity's share price); and

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the activity have been resolved.

(a) Provision of oilfield project services

The Group provides services on oilfield project in a wide range of areas at various stage in the life of an oilfield principally in drilling, well completion and production enhancement to its customers. The services mainly consist of providing oilfield development plan, procurement advice services and installation of tools and equipment and on-site project management.

Revenue from provisions of oilfield projects services are recognised in the accounting period in which the services are accepted by the customers and collectability of the related receivables is reasonably assured.

(b) Provision of consultancy services

The Group provides consultancy services consisting of integrated project management services and supervisory services.

Integrated project management services comprise of engineering and designing overall development plan for an oilfield project, assisting and providing advice on sourcing, by way of invitation or open tender, oilfield project management services in different technical areas including drilling, well completion, downhole operation, oilfield equipment installation and production enhancement and providing on-site operational management, supervision, support and advice.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(b) Provision of consultancy services (Continued)

Supervisory services include management, supervision and technical support in specific technical areas in various stages of the oilfield project. Supervisory services mainly serve to ensure the operation in the specific technical areas of the project works in accordance with the execution plan approved by the customers. While some of the contracts for supervisory services require the Group to provide services to customers for a definite term, others require the Group to provide services for a specific operation within a project.

Revenue from provision for integrated project management services is recognised in the accounting period in which the services are accepted by the customers and collectability of the related receivables is reasonably assured.

Revenue from provision for supervisory services is recognised in accounting period in which the services rendered and assessed on the basis of actual services provided.

(c) Manufacturing and sales of tools and equipment

Revenue from manufacturing and sales of tools and equipment is recognised on the transfer of risks and rewards of ownership of tools and equipment, which generally coincides with the time when the customer receives and accepts the goods.

(d) Agency fee income

Agency fee income is recognised in the accounting period upon the provision of services.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the directors and the major shareholders. Management has identified and evaluated financial risks in close cooperation with the major shareholders. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. These policies and procedures enable management to make strategic and inform decision with regard to the operations of the Group.

(a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("**US$**"), the Renminbi ("**RMB**") and Bs. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in currency that is not the entity's functional currency.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign currency risk (Continued)

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates the risk by maintaining US$, RMB and Bs bank accounts to pay for the transactions denominated in these currencies. The amounts of assets and liabilities denominated in each currency can be seen in the relevant notes.

At 31 December 2013, if HK$ had weakened/strengthened by 1% against the US$ with all other variables held constant, net post-tax profit for the year would have been approximately HK$2,533,000 higher/lower (2012: HK$242,000 higher/lower), mainly as a result of foreign exchange differences on translation of US$ denominated trade and other receivables, cash and cash equivalents, trade and other payables, and bank borrowings.

At 31 December 2013, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, net post-tax profit for the year would have been approximately HK$5,830,000 higher/lower (2012: HK$39,000 lower/higher), mainly as a result of foreign exchange differences on translation of RMB denominated trade and other receivables, cash and cash equivalents, trade and other payables, and bank borrowings.

At 31 December 2013, if HK$ had weakened/strengthened by 5% against Bs with all other variables held constant, net post-tax profit for the year would have been approximately HK$1,293,000 lower/higher (2012: nil), mainly as a result of foreign exchange differences on translation of Bs denominated trade and other receivables, cash and cash equivalents, and trade and other payables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings, pledged bank deposits and cash and cash equivalents. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

The Group's practice is to manage its interest income/cost through monitoring and reviewing interest rate changes in the market and its impact to the Group's financial performance. During 2013 and 2012, the Group's borrowings at variable rates were denominated in HK$, US$ and RMB.

At 31 December 2013, if interest rate on borrowings and pledged bank deposits held at variable rates had been 100 basis points higher/lower with all other variables held constant, post-tax results for the year would have been approximately HK$616,000 (2012: HK$1,303,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents and pledged bank deposits, as well as credit exposures to the customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a good reputation are accepted. For credit exposures to the customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Credit risk is managed at company level, except for credit risk relating to trade receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

As at 31 December 2013, majority cash and cash equivalents, and pledged bank deposits, were deposited with major financial institutions in the Mainland China and Hong Kong, which are of good credit quality. The table below shows the bank deposit balances as at 31 December 2013 and 2012.

	2013	2012
	HK$	HK$
PRC state-owned listed banks	**53,581,001**	33,674,565
Other listed banks	**447,122,485**	137,372,677
Others	**5,442,969**	595,631
Total	**506,146,455**	171,642,873

The Group has policies in place to ensure that sales of its services and products are made to customers with sufficient level of creditworthiness and the Group generally grants its customers a credit term of up to nine months.

Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group maintains different billing policies for different customers based on the negotiated terms with each customer. The Group will issue progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment and due date of payment varies from contract to contract. The Group negotiates with those debtors with overdue balances to agree a repayment schedule by both parties and regularly evaluates the credit quality of its debtors to assess the necessity to revise the credit term.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's exposure to current risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concerns of credit risk primarily due to significant exposure to individual customers. For those trade receivables where objective evidence of impairment exists, the amount of loss is measured as the difference between the carrying amount of the trade receivables and the present value of estimated future cash flows discounted at the borrowing rate of the related company. At the balance sheet date, 46% (2012: 51%) of the total receivable was due from the Group's largest debtor, a Venezuelan state-owned oil company. Accordingly, the Group's consolidated results would be heavily affected by the financial capability of the debtor to fulfill their obligations with the Group. The Group's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity. As at 31 December 2013, management has determined to record provision for doubtful receivable of HK$7,124,977 (2012: nil) which represents the discounting effect of total receivable due from the Group's largest debtor.

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Fair values of balances due on demand or less than 1 year appropriate their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
Group					
At 31 December 2013					
Trade and other payables	**297,015,962**	**–**	**–**	**–**	**297,015,962**
Bank borrowings	**236,347,236**	**–**	**–**	**–**	**236,347,236**
At 31 December 2012					
Trade and other payables	447,082,120	–	–	–	447,082,120
Term loans subject to a repayment on demand clause	2,244,795	10,838	–	–	2,255,633
Bank borrowings	200,167,189	–	–	–	200,167,189
Forward share exchange contract	1,335,185	–	–	–	1,335,185

	On demand or less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$
Company				
At 31 December 2013				
Other payables	**3,008,753**	**–**	**–**	**–**
At 31 December 2012				
Other payables	126,812,923	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. The Group has already repaid all term loans during the year.

	Maturity Analysis – term loans subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year HK$	Over 1 year but less than 2 years HK$	Over 2 years but less than 5 years HK$	Over 5 years HK$
31 December 2013	–	–	–	–
31 December 2012	1,244,795	1,010,838	–	–

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order 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 price their services adequately in accordance with their pricing policy, secure access to financing at reasonable costs, obtain borrowings from financial institutions or related parties, and issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The Group has an aspired gearing target at not more than 50%, which is commercially defensible and takes into consideration the Group's ability to operate on a stand-alone basis and is set after appropriate advice has been taken from its major shareholders. Accordingly, the gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
	HK$	HK$
Bank borrowings *(note 18)*	**233,423,200**	198,689,503
Less: cash and cash equivalents *(note 13)*	**(345,446,842)**	(136,810,868)
Net (cash)/debt	**(112,023,642)**	61,878,635
Total equity	**2,225,566,863**	1,090,838,269
Total capital	**2,113,543,221**	1,152,716,904
Gearing ratio	**N/A**	5%

The net cash position in 2013 resulted primarily from increased cash and cash equivalents.

3.3 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).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's liability that is measured at fair value:

As at 31 December 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	–	–	–	–

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	–	–	1,335,185	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 in Sheraton was a forward share exchange contract. The forward contract has been exercised throughout the period from 2011 to 2013, when the Group has acquired additional equity interests in Sheraton. The remaining balance as at 31 December 2012 has been settled on 25 November 2013 when the Group acquired the remaining 4% interest in Sheraton to reach 55% ownership.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The fair value of forward share exchange contract is determined by using valuation techniques based on the fair value of the issued shares and equity interests in 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 year ended 31 December 2013.

	HK$
Opening balance at 1 January 2013	**1,335,185**
Fair value changes recognised in profit or loss *(note 23)*	**(561,246)**
Settlement *(note 34)*	**(773,939)**
Closing balance at 31 December 2013	**–**

The fair value changes recognised in profit and loss represents the change in fair value of the forward contract related to the third tranche of the acquisition as at date of transaction.

The discount rate used to compute the fair value is 17.2%. If the discount rate applied to value the forward contract increased or decreased by 5%, the impact on profit or loss would be HK$1,352,000 lower or HK$4,805,000 higher. The higher the discount rate, the lower the fair value. There were no changes in valuation techniques during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

There will not be any impairment charges in 2013 against goodwill in any of the CGUs if the discount rate for the Group had been 3 percentage points higher than management's estimates or the annual growth rate for the Group had been 3 percentage points lower than management's estimates.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair value of other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for its derivative financial instrument that is not traded in active markets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the Group's accounting policies

(a) Provision for impairment of trade receivables

Provision for impairment of trade receivables is determined based on the evaluation of collectability of these receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, and in making this judgment, the Group evaluates, among other factors, the current creditworthiness and the past collection history for each customer and the current market conditions, and that there is no evidence of impairment present.

(b) Inventory realisability

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and write-downs of inventories in the period which estimate has been changed.

(c) Provision for warranty

The tools and equipment sold by the Group are covered by warranty for one year from the date of delivery. The Group does not make any provision for warranty according to their historical records and practice of the industry.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the Group's accounting policies (Continued)

(d) Lease registration of certain properties

Certain leased properties of the Group have not completed the lease registration or obtained the necessary title document. However, based on the Group's past experience, available information and consultation with the Group's PRC legal advisers, the directors of the Company are of the view that since the production facility of one of the subsidiaries is being occupied by them for the assembly of parts and components used only for production (no heavy machineries and non-removable fixtures in the facility) and since all other leased properties in the PRC without lease registration are not production related and can be relocated, if needed without having to incur significant relocation cost. Accordingly, no impairment provision for such assets is considered necessary according to the Group's accounting policies. Should there be any change in circumstances, it would adversely affect the Group's result of operations.

5 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 just single business, except a few entities deal with diversified operation. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of three 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.

5 SEGMENT INFORMATION (CONTINUED)

(a) Revenue

The segment information for the year ended 31 December 2013 is as follows:

	Continuing operations			Discontinued operations		
	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Oilfield project services HK$	Consultancy services HK$	Total HK$
Year ended 31 December 2013						
Total segment revenue	739,250,821	40,483,583	399,943,930	–	–	1,179,678,334
Inter-segment revenue	–	–	(119,243,533)	–	–	(119,243,533)
Revenue from external customers	739,250,821	40,483,583	280,700,397	–	–	1,060,434,801
Segment results	428,276,019	23,125,795	68,443,894	–	–	519,845,708
Net unallocated expenses						(260,385,082)
Profit before income tax						259,460,626
Other information:						
Amortisation	(909,707)	–	(7,478,993)	–	–	(8,388,700)
Depreciation	(11,478,190)	–	(4,152,621)	–	–	(15,630,811)
Income tax expenses	–	–	(8,781,774)	–	–	(8,781,774)

5 SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

The segment information for the year ended 31 December 2012 is as follows:

	Continuing operations			Discontinued operations		
	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Oilfield project services HK$	Consultancy services HK$	Total HK$
Year ended 31 December 2012						
Total segment revenue	921,756,768	49,646,572	95,677,688	35,000,337	13,939,710	1,116,021,075
Inter-segment revenue	–	–	(9,687,792)	–	–	(9,687,792)
Revenue from external customers	921,756,768	49,646,572	85,989,896	35,000,337	13,939,710	1,106,333,283
Segment results	327,671,329	26,915,300	62,863,929	15,862,273	5,016,771	438,329,602
Net unallocated expenses						(205,427,979)
Profit before income tax						232,901,623
Other information:						
Amortisation	–	–	(11,780,035)	–	–	(11,780,035)
Depreciation	(2,348,486)	–	(2,458,496)	(128,610)	–	(4,935,592)
Share of loss of a jointly controlled entity	–	–	(43,226)	–	–	(43,226)
Income tax expenses	–	–	(2,385,738)	–	–	(2,385,738)

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.

5 SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

Operating segment's results are reconciled to profit before income tax as follows:

	2013	2012
	HK$	HK$
Segment results	**519,845,708**	438,329,602
Other income	**2,406,217**	5,244,813
Material costs	**(15,789,007)**	(7,892,055)
Depreciation of property, plant and equipment	**(3,984,555)**	(3,254,479)
Amortisation of intangible assets	**(60,175)**	(172,278)
Operating lease rental	**(10,592,589)**	(9,797,992)
Employee benefit expenses	**(106,296,425)**	(65,003,599)
Distribution expenses	**(18,263,978)**	(21,891,671)
Research and development expenses	**(14,422,525)**	(5,933,233)
Entertainment and marketing expenses	**(24,379,276)**	(18,651,315)
Other expenses	**(79,775,451)**	(66,493,008)
Other losses	**1,292,248**	(2,700,751)
Finance income	**12,667,121**	126,228
Finance costs	**(3,186,687)**	(7,906,342)
Share of loss of an associate	**–**	(1,102,297)
Profit before income tax	**259,460,626**	232,901,623

5 SEGMENT INFORMATION (Continued)

(b) Assets

The segment assets as at 31 December 2013 are as follows:

	Oilfield project services HK$	Consultancy services HK$	Manufacturing and sales of tools and equipment HK$	Total HK$
As at 31 December 2013				
Segment assets	**1,683,416,788**	**128,902,041**	**546,250,952**	**2,358,569,781**
Unallocated assets				**490,596,615**
Total assets				**2,849,166,396**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**58,256,479**	**–**	**106,057,339**	**164,313,818**

The segment assets as at 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 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
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	127,788,920	–	72,442,516	200,231,436

5 SEGMENT INFORMATION (Continued)

(b) Assets (Continued)

The segment results included the material costs, technical service fee, depreciation, amortisation, distribution expenses, operating lease rental, employee benefit expenses, research and development expenses, other expenses, other gains/(losses), finance income and costs, share of loss of a jointly controlled entity and share of loss of an associate, 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, and pledged bank deposits.

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

	2013	2012
	HK$	HK$
Segment assets for reportable segments	**2,358,569,781**	1,666,648,644
Unallocated assets		
– Unallocated property, plant and equipment	**16,173,637**	13,373,649
– Unallocated intangible assets	**1,266,060**	284,342
– Unallocated other receivables and prepayments	**27,631,986**	30,340,622
– Unallocated pledged bank deposits	**146,974,437**	6,230,557
– Unallocated cash and cash equivalents	**298,550,495**	115,457,995
	490,596,615	165,687,165
Total assets per consolidated balance sheet	**2,849,166,396**	1,832,335,809

5 SEGMENT INFORMATION (Continued)

(c) 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:

	2013	2012
	HK$	HK$
Continuing operations		
Mainland China	**625,793,940**	746,870,842
Russia	**227,766**	53,883,848
Venezuela	**358,422,172**	209,041,149
Turkmenistan	**–**	22,552,819
Dubai	**32,835,853**	–
Others	**43,155,070**	25,044,578
	1,060,434,801	1,057,393,236
Discontinued operations		
Iran	**–**	42,860,327
Syria	**–**	6,079,720
	–	48,940,047
	1,060,434,801	1,106,333,283

5 SEGMENT INFORMATION (Continued)

(c) Geographical information (Continued)

The following table shows the non-current assets other than deferred tax assets by geographical segment according to the countries where the assets are located:

	2013	2012
	HK$	HK$
Mainland China	**688,174,574**	558,640,478
Venezuela	**137,754,332**	117,785,971
Singapore	**49,566,998**	63,612,003
	875,495,904	740,038,452

(d) Information about major customers

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	2013	2012
	HK$	HK$
Customer A – Venezuela	**358,422,172**	209,041,149
Customer B – Mainland China	**332,983,567**	665,776,605

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in progress HK$	Building HK$	Leasehold improvements HK$	Plant and machineries HK$	Motor vehicles HK$	Computer equipment HK$	Furniture and fixtures HK$	Total HK$
At 1 January 2012								
Cost	–	–	2,163,386	16,600,079	7,784,832	3,612,406	916,351	31,077,054
Accumulated depreciation	–	–	(1,437,759)	(4,367,470)	(2,088,168)	(1,725,923)	(734,490)	(10,353,810)
Net book amount	–	–	725,627	12,232,609	5,696,664	1,886,483	181,861	20,723,244
Year ended 31 December 2012								
Opening net book amount	–	–	725,627	12,232,609	5,696,664	1,886,483	181,861	20,723,244
Acquisition of a subsidiary	–	–	–	7,912,161	358,986	366,172	416,186	9,053,505
Additions	3,406,608	–	253,256	131,663,857	3,120,644	1,584,126	477,552	140,506,043
Depreciation	–	–	(577,153)	(5,020,316)	(1,402,805)	(851,506)	(338,291)	(8,190,071)
Disposals	–	–	–	(30,313)	(57,007)	(173,302)	–	(260,622)
Disposals of a subsidiary	–	–	–	(4,728,402)	–	(16,612)	–	(4,745,014)
Transfer	(3,406,608)	3,406,608	–	–	–	–	–	–
Exchange differences	–	(5,237)	(2,831)	177,862	(82,739)	(64,020)	(17,416)	5,619
Closing net book amount	–	3,401,371	398,899	142,207,458	7,633,743	2,731,341	719,892	157,092,704
At 31 December 2012								
Cost	–	3,401,371	2,406,328	150,044,102	10,602,942	5,306,701	1,789,168	173,550,612
Accumulated depreciation	–	–	(2,007,429)	(7,836,644)	(2,969,199)	(2,575,360)	(1,069,276)	(16,457,908)
Net book amount	–	3,401,371	398,899	142,207,458	7,633,743	2,731,341	719,892	157,092,704
Year ended 31 December 2013								
Opening net book amount	**–**	**3,401,371**	**398,899**	**142,207,458**	**7,633,743**	**2,731,341**	**719,892**	**157,092,704**
Additions	**57,071,877**	**58,496**	**407,248**	**86,698,004**	**3,650,200**	**2,540,681**	**1,851,974**	**152,278,480**
Depreciation	**–**	**(627,890)**	**(598,184)**	**(15,002,921)**	**(1,889,324)**	**(1,090,475)**	**(406,572)**	**(19,615,366)**
Monetary correction for hyperinflation	**2,855,781**	**–**	**–**	**163,375**	**252,226**	**62,317**	**166,314**	**3,500,013**
Disposals	**–**	**–**	**–**	**(172,278)**	**(583,382)**	**(146,168)**	**–**	**(901,828)**
Exchange differences	**–**	**113,136**	**5,777**	**427,582**	**256,063**	**136,068**	**74,999**	**1,013,625**
Closing net book amount	**59,927,658**	**2,945,113**	**213,740**	**214,321,220**	**9,319,526**	**4,233,764**	**2,406,607**	**293,367,628**
At 31 December 2013								
Cost	**59,927,658**	**3,581,971**	**2,740,276**	**237,775,610**	**14,270,859**	**8,211,253**	**3,810,351**	**330,317,978**
Accumulated depreciation	**–**	**(636,858)**	**(2,526,536)**	**(23,454,390)**	**(4,951,333)**	**(3,977,489)**	**(1,403,744)**	**(36,950,350)**
Net book amount	**59,927,658**	**2,945,113**	**213,740**	**214,321,220**	**9,319,526**	**4,233,764**	**2,406,607**	**293,367,628**

The depreciation for the year ended 31 December 2013 comprises HK$19,615,366 (2012: HK$7,233,526) and HK$nil (2012: HK$956,545) from continuing operations and discontinued operations, respectively.

During the year, the group has not capitalised any borrowing costs on any assets.

7 INTANGIBLE ASSETS – GROUP

	Goodwill HK$	Contractual customer relationships HK$	Incomplete sales contracts HK$	Contractual agreements on non-competition HK$	Computer software HK$	Total HK$
At 1 January 2012						
Cost	521,199,910	34,451,995	4,816,410	11,947,474	823,590	573,239,379
Accumulated amortisation and impairment	(2,763,894)	(27,345,548)	(4,816,410)	(11,947,474)	(437,907)	(47,311,233)
Net book amount	518,436,016	7,106,447	–	–	385,683	525,928,146
Year ended 31 December 2012						
Opening net book amount	518,436,016	7,106,447	–	–	385,683	525,928,146
Additions	–	–	–	–	64,586	64,586
Acquisition of a subsidiary	44,722,264	10,380,100	1,722,171	–	6,351	56,830,886
Amortisation	–	(10,034,791)	(1,745,244)	–	(172,278)	(11,952,313)
Exchange differences	698,377	27,237	23,073	–	–	748,687
Closing net book amount	563,856,657	7,478,993	–	–	284,342	571,619,992
At 31 December 2012						
Cost	566,620,551	44,832,095	6,538,581	11,947,474	894,527	630,833,228
Accumulated amortisation and impairment	(2,763,894)	(37,353,102)	(6,538,581)	(11,947,474)	(610,185)	(59,213,236)
Net book amount	563,856,657	7,478,993	–	–	284,342	571,619,992
Year ended 31 December 2013						
Opening net book amount	**563,856,657**	**7,478,993**	**–**	**–**	**284,342**	**571,619,992**
Additions	**–**	**–**	**–**	**–**	**6,802,629**	**6,802,629**
Amortisation	**–**	**(7,478,993)**	**–**	**–**	**(969,882)**	**(8,448,875)**
Exchange differences	**64,641**	**–**	**–**	**–**	**47,645**	**112,286**
Closing net book amount	**563,921,298**	**–**	**–**	**–**	**6,164,734**	**570,086,032**
At 31 December 2013						
Cost	**566,620,551**	**44,832,095**	**6,538,581**	**11,947,474**	**7,747,093**	**637,685,794**
Accumulated amortisation and impairment	**(2,699,253)**	**(44,832,095)**	**(6,538,581)**	**(11,947,474)**	**(1,582,359)**	**(67,599,762)**
Net book amount	**563,921,298**	**–**	**–**	**–**	**6,164,734**	**570,086,032**

7 INTANGIBLE ASSETS – GROUP (Continued)

Impairment test of goodwill

Management reviews the business performance on CGU basis. The goodwill is monitored by management at the CGU level. The following is a summary of goodwill allocation for each reportable segment:

	Opening HK$	Acquisition of a subsidiary HK$	Exchange difference HK$	Closing HK$
Year ended 31 December 2013				
Oilfield project services	**381,823,242**	**–**	**–**	**381,823,242**
Consultancy services	**95,455,810**	**–**	**–**	**95,455,810**
Manufacturing and sales of tools and equipment	**86,577,605**	**–**	**64,641**	**86,642,246**
	563,856,657	**–**	**64,641**	**563,921,298**
Year ended 31 December 2012				
Oilfield project services	381,823,242	–	–	381,823,242
Consultancy services	95,455,810	–	–	95,455,810
Manufacturing and sales of tools and equipment	41,156,964	44,722,264	698,377	86,577,605
	518,436,016	44,722,264	698,377	563,856,657

The recoverable amount of a CGU is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using the estimated growth rates stated below.

Management consider their experience and expertise knowledge in the oilfield industry to be of an optimal standard, and provided also its relatively stable position compared with other industries, a cash flow period of ten years is reasonable.

7 INTANGIBLE ASSETS – GROUP (Continued)

Impairment test of goodwill (Continued)

The key assumptions used for the calculation are as follows:

Year ended 31 December 2013

	Oilfield project services	**Consultancy services**	**Manufacturing and sales of tools and equipment**
Average annual growth rate	**8.0%**	**9.0%**	**7.7%**
Discount rate	**20.9%**	**20.9%**	**20.0%**

Year ended 31 December 2012

	Oilfield project services	Consultancy services	Manufacturing and sales of tools and equipment
Average annual growth rate	11.6%	8.6%	10.1%
Discount rate	22.1%	21.9%	19.6%

Management determined budgeted gross margin based on past performance and its expectations of the market development. The average annual growth rate used is consistent with the forecasts of the market. The discount rate used is pre-tax and reflects specific risks relating to the CGU. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

8 LAND USE RIGHT – GROUP

	Total HK$
At 1 January 2012 and 2013	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2013	
Opening net book amount	–
Additions	11,325,756
Transferred out	(242,300)
Exchange differences	958,788
Closing net book amount	12,042,244
At 31 December 2013	
Cost	12,288,004
Accumulated depreciation	(245,760)
Net book amount	12,042,244
In the PRC, held on:	
Lease for 50 years	12,042,244

9 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

The accounting policies for financial instruments have been applied to the line items below:

(a) Group

	2013 HK$	2012 HK$
Assets as per consolidated balance sheet		
Loans and receivables		
Trade and other receivables	**1,022,936,031**	659,622,761
Pledged bank deposits *(note 12)*	**160,699,613**	34,832,005
Cash and cash equivalents *(note 13)*	**345,446,842**	136,810,868
Total	**1,529,082,486**	831,265,634
Liabilities as per consolidated balance sheet		
Other financial liabilities at amortised costs		
Trade and other payables	**297,015,962**	447,082,120
Bank borrowings *(note 18)*	**233,423,200**	198,689,503
Total	**530,439,162**	645,771,623
Liability at fair value through the profit and loss		
Forward share exchange contract *(note 3.3)*	**–**	1,335,185

9 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

(b) Company

	2013 HK$	2012 HK$
Assets as per balance sheet		
Loans and receivables		
Advances to subsidiaries *(note 11)*	**465,388,305**	367,748,540
Dividend receivable *(note 11)*	**100,000,000**	150,000,000
	565,388,305	517,748,540
Liabilities as per balance sheet		
Other financial liabilities at amortised costs		
Other payables and accruals	**3,008,753**	126,812,923

10 INVENTORIES – GROUP

	2013 HK$	2012 HK$
Raw materials	**22,778,229**	11,112,532
Assembling materials	**250,222,195**	137,480,352
Work in progress	**12,021,780**	9,630,747
Finished goods	**13,573,272**	5,046,284
	298,595,476	163,269,915

The cost of inventories recognised as expense and included in 'material costs' amounted to HK$314,913,278 (2012: HK$507,776,146) and HK$nil (2012: HK$7,008,229) for the year ended 31 December 2013, from continuing operations and discontinued operations, respectively.

As at 31 December 2013, assembling materials with cost of HK$2,181,827 were considered as obsolete and were written down. The amount has been included in 'other expenses' (note 22).

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY

(a) Trade receivables – Group

	2013 HK$	2012 HK$
Trade receivables	**1,011,528,818**	649,550,014
Less: provision for impairment of trade receivables	**(7,124,977)**	–
Trade receivables – net	**1,004,403,841**	649,550,014

Ageing analysis of gross trade receivables by services completion and delivery date at the respective balance sheet dates is as follows:

	2013 HK$	2012 HK$
Up to 3 months	**464,795,740**	507,777,922
3 to 6 months	**50,871,773**	41,524,254
6 to 12 months	**297,194,761**	46,135,477
Over 12 months	**191,541,567**	54,112,361
	1,004,403,841	649,550,014

As at 31 December 2013, trade receivables of HK$550,260,441 (2012: HK$255,311,125) were past due but not impaired. The ageing analysis of these trade receivables by due date is as follows:

	2013 HK$	2012 HK$
Up to 3 months	**67,210,433**	157,103,011
3 to 6 months	**302,976,819**	43,439,185
6 to 12 months	**162,451,248**	18,050,479
Over 12 months	**17,621,941**	36,718,450
	550,260,441	255,311,125

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

(a) Trade receivables – Group (Continued)

Long aged receivables that were past due but not impaired relate to customers that have good trade records without default history. Based on past experience and the credit quality of the counterparties, there is no evidence of impairment in respect of these balances and the balances are considered fully recoverable.

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 270 days after invoice date to its customers.

As at 31 December 2013, bank borrowings are secured by certain trade receivables with an aggregate carrying value of approximately HK$nil (2012: HK$104,336,000) (note 18).

The fair values of trade receivables approximate to their carrying values.

The carrying amounts of trade receivables are denominated in the following currencies:

	2013 **HK$**	2012 HK$
USD	**572,360,056**	287,951,489
RMB	**384,934,376**	361,598,525
EURO	**37,552,923**	–
Bs	**9,556,486**	–
	1,004,403,841	649,550,014

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

(a) Trade receivables – Group (Continued)

Based on the Group's review of the credit risk exposure and expected pattern of settlement at year end as disclosed in Note 3.1(b), management has determined to record a provision for doubtful receivable amounted to HK$7,124,977 (2012: nil) which represents the discounting effect of total receivable due from the Group's largest debtor. The aging of these receivables is as follows:

	2013	2012
	HK$	HK$
Over 12 months	**7,124,977**	–

Movement on the Group's allowance for impairment of trade receivables are as follows:

	2013	2012
	HK$	HK$
At 1 January	**–**	–
Provisions for receivables impairment	**9,125,254**	–
Trade receivables written off during the year as uncollectible	**(2,000,277)**	–
As at 31 December	**7,124,977**	–

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

(b) Other receivables, deposits and prepayments – Group

	2013	2012
	HK$	HK$
Other receivables		
– Third parties	**9,100,977**	8,781,476
– Related party *(note 36)*	**–**	2,000
Receivables on land bidding in PRC	**5,085,200**	–
Value-added tax recoverables	**35,545,654**	24,448,560
Rental deposits	**1,575,681**	1,289,271
Cash advances to staff	**7,220,540**	14,863,145
Prepayments for materials and technical service fee	**80,260,536**	49,104,970
Prepayments for rents and others	**7,314,684**	1,784,026
Prepayment for land use right *(note (i))*	**–**	11,325,756
Deposits for purchase of factory	**2,770,332**	–
Prepayment for property, plant and equipment	**12,713,000**	–
Deferred expenses	**–**	5,970,324
	161,586,604	117,569,528
Less:		
Non-current prepayment for land use right *(note (i))*	**–**	(11,325,756)
Non-current deposit for for purchase of factory	**(2,770,332)**	–
Non-current prepayment for property, plant and equipment	**(12,713,000)**	–
	146,103,272	106,243,772

Note (i):

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

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

(b) Other receivables, deposits and prepayments – Group (Continued)

The fair values of other receivables, deposits and prepayments approximate to their carrying values.The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	2013 HK$	2012 HK$
USD	**6,023,338**	13,905,807
HKD	**2,272,213**	5,979,011
RMB	**144,499,075**	94,259,103
EURO	**–**	1,073,288
GBP	**276,958**	616,331
SGD	**4,385,988**	1,511,643
Bs	**4,129,032**	–
Others	**–**	224,345
	161,586,604	117,569,528

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(c) Other receivables and prepayments – Company

	2013 HK$	2012 HK$
Advances to subsidiaries	**465,388,305**	367,748,540
Dividend receivable	**100,000,000**	150,000,000
Deferred expenses	**22**	5,970,324
	565,388,327	523,718,864

The carrying amounts of other receivables and prepayments are denominated in the following currencies:

	2013 HK$	2012 HK$
USD	**51,118,168**	81,606,383
HKD	**483,982,944**	441,241,466
RMB	**30,287,215**	551,796
Others	**–**	319,219
	565,388,327	523,718,864

12 PLEDGED BANK DEPOSITS – GROUP

Pledged bank deposits are pledged as security for the Group's borrowings, bidding and performance bonds.

	2013 HK$	2012 HK$
Pledged bank deposits		
– Borrowings	**146,974,437**	34,570,468
– Bidding	**11,675,840**	261,537
– Performance bonds	**2,049,336**	–
	160,699,613	34,832,005

The carrying amounts of the Group's pledged bank deposits are denominated in the following currencies:

	2013 HK$	2012 HK$
USD	**6,233,140**	6,385,591
RMB	**154,466,473**	28,446,414
	160,699,613	34,832,005

Pledged bank deposits, which comprise short-term deposits, carry interest at effective interest rates ranging from 0.01% to 3.2% (2012: 0.02% to 0.4%) for the year per annum; these deposits have an average maturity of 5.33 months (2012: 1.62 months) for the year.

13 CASH AND BANK BALANCES – GROUP AND COMPANY

(a) Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Cash at bank	**342,485,774**	136,248,972	**8,156,777**	–
Cash on hand	**2,961,068**	561,896	**–**	–
	345,446,842	136,810,868	**8,156,777**	–

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
USD	**38,177,093**	40,754,856	**178,545**	–
HKD	**182,876,516**	11,054,286	**6,963,526**	–
RMB	**120,445,382**	82,649,454	**1,014,706**	–
EURO	**2,976**	3,892	**–**	–
SGD	**1,974,475**	2,348,380	**–**	–
Bs	**1,970,400**	–	**–**	–
	345,446,842	136,810,868	**8,156,777**	–

As at 31 December 2013, Group has cash at bank and cash on hand amounting to HK$113,091,746 (2012: HK$95,378,128) which are denominated in RMB and US$ and held in the Mainland China. These cash and bank balances are subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

As at 31 December 2013, Group has cash at bank and cash on hand amounting to HK$2,431,631 (2012: HK$nil) which are denominated in Bs and held in the Venezuela. These cash and bank balances are subject to rules and regulations of foreign exchange control promulgated by the Venezuelan Government.

(b) Restricted cash

As at 31 December 2013, HK$1,526,000 (2012: HK$ nil) are restricted deposits held at bank as reserve for purchase of raw materials.

14 DISCONTINUED OPERATIONS – GROUP

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, one 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:

	2013	2012
	HK$	HK$
Revenue	–	48,940,047
Expenses	–	(34,354,894)
Share of loss of an associate	–	(1,102,297)
Loss on disposal of a subsidiary *(note 23)*	–	(777,732)
Profit before tax of discontinued operations	–	12,705,124
Income tax	–	(2,096,345)
Profit for the year from discontinued operations	–	10,608,779
Other comprehensive income		
Currency translation difference	–	17,779
Total comprehensive income for the year from discontinued operations	–	10,626,558

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

	2013	2012
	HK$	HK$
Operating cash flows	–	(10,620,910)
Investing cash flows	–	(562,809)
Total cash flows	–	(11,183,719)

15 SHARE CAPITAL – GROUP AND COMPANY

	No. of Shares	Total HK$
Issued and fully paid:		
At 1 January 2012	10,000	662,644,041
Issuance of shares	102	9,247,760
At 31 December 2012 and 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
Issuance of ordinary shares for acquisition of non-controlling interest of a subsidiary *(note 34)*	8,880,680	37,570,000
Issuance of ordinary shares for share options exercise *(note 25)*	21,719,757	28,265,522
Share issuance costs	–	(46,136,422)
At 31 December 2013	**1,068,100,437**	**1,634,591,001**

As at 31 December 2013, the total authorised number of ordinary share of the Company is 10,000,000,000 (2012: 42,000) shares with no par value.

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. The gross proceeds received by the company from the over-allotment option amounted to approximately HK$123,000,000.

16 OTHER RESERVES – GROUP AND COMPANY

(a) Group

	Translation reserve	Statutory reserve *(Note (i))*	Share-based payment reserve	Capital reserve	Total
	HK$	HK$	HK$	HK$	HK$
Balance at 1 January 2012	13,978,370	12,365,618	21,345,565	–	47,689,553
Other comprehensive income					
Currency translation differences	1,552,585	–	–	–	1,552,585
Currency translation differences released upon disposal of a subsidiary	21,894	–	–	–	21,894
Total other comprehensive income for the year	1,574,479	–	–	–	1,574,479
Total contributions by and distributions to owners of the Company recognised directly in equity					
Transfer from retained earnings to statutory reserve	–	1,232,900	–	–	1,232,900
Total contributions by and distributions to owners of the Company	–	1,232,900	–	–	1,232,900
Balance at 31 December 2012	15,552,849	13,598,518	21,345,565	–	50,496,932

16 OTHER RESERVES – GROUP AND COMPANY (Continued)

(a) Group (Continued)

	Translation reserve	Statutory reserve *(Note (i))*	Share-based payment reserve	Capital reserve	Total
	HK$	HK$	HK$	HK$	HK$
Balance at 1 January 2013	15,552,849	13,598,518	21,345,565	–	50,496,932
Other comprehensive income					
Currency translation differences	36,613,318	–	–	–	36,613,318
Total other comprehensive income for the year	36,613,318	–	–	–	36,613,318
Total contributions by and distributions to owners of the Company recognised directly in equity					
Transfer from retained earnings to statutory reserve	–	6,536,981	–	–	6,536,981
Exercise of share options	–	–	(8,337,328)	–	(8,337,328)
Total contributions by and distributions to owners of the Company	–	6,536,981	(8,337,328)	–	(1,800,347)
Changes in ownership interests in subsidiaries without change in control *(note 34)*	–	–	–	(49,135,402)	(49,135,402)
Total transactions with owners	–	6,536,981	(8,337,328)	(49,135,402)	(50,935,749)
Balance at 31 December 2013	52,166,167	20,135,499	13,008,237	(49,135,402)	36,174,501

16 OTHER RESERVES – GROUP AND COMPANY (Continued)

(a) Group (Continued)

Note (i): Statutory reserve

In accordance with the relevant laws and regulations in the People's Republic of China ("**the PRC**") and Articles of Association of the companies incorporated in the Mainland China now comprising the Group, it is required to allocate at least 10% of their after-tax profit according to PRC accounting standard and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into registered capital in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

(b) Company

	Share-based payment reserve HK$
Balance at 1 January 2013	21,345,565
Total contributions by and distributions to owners of the Company recognised directly in equity	
– Exercise of share options	(8,337,328)
Total contributions by and distributions to owners of the Company	(8,337,328)
Balance at 31 December 2013	13,008,237

17 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

(a) Trade payables – Group

	2013	2012
	HK$	HK$
Trade payables	**243,373,379**	298,241,083

Ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	2013	2012
	HK$	HK$
Up to 1 month	**86,151,776**	97,412,937
1 to 2 months	**59,739,419**	157,960,040
2 to 3 months	**3,508,166**	21,994,546
Over 3 months	**93,974,018**	20,873,560
	243,373,379	298,241,083

The carrying amounts of trade payables are denominated in the following currencies:

	2013	2012
	HK$	HK$
USD	**152,603,934**	54,842,679
RMB	**84,415,584**	239,878,442
SGD	**5,756,141**	3,519,962
Others	**597,720**	–
	243,373,379	298,241,083

17 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

(b) Other payables and accruals – Group

	2013	2012
	HK$	HK$
Consideration payable for further acquisition of interest in a subsidiary *(note 34)*	**18,600,000**	–
Dividend payable	**–**	120,000,000
Other payables		
– Third parties	**33,951,521**	21,527,155
– Related party *(note 36)*	**540,296**	27,080
Receipt in advance	**5,504,472**	5,212,737
Accrued expenses		
– Payroll and welfare	**19,376,031**	17,818,099
– Others	**550,766**	7,286,802
Value-added tax payable	**20,165,809**	18,641,049
Other tax and surcharge payables	**10,775,442**	8,448,840
	109,464,337	198,961,762

The carrying amounts of other payables and accruals are denominated in the following currencies:

	2013	2012
	HK$	HK$
USD	**28,551,803**	13,496,350
HKD	**19,280,942**	138,396,496
RMB	**59,739,072**	43,736,863
SGD	**1,465,556**	2,483,852
Others	**426,964**	848,201
	109,464,337	198,961,762

17 TRADE AND OTHER PAYABLES – GROUP AND COMPANY (Continued)

(c) Other payables and accruals – Company

	2013 HK$	2012 HK$
Accrued expenses	**8,366,625**	12,170,818
Dividend payable	**–**	120,000,000
	8,366,625	132,170,818

The carrying amounts of other payables are denominated in the following currencies:

	2013 HK$	2012 HK$
USD	**5,357,872**	5,357,895
HKD	**3,008,753**	124,991,677
Others	**–**	1,821,246
	8,366,625	132,170,818

18 BANK BORROWINGS – GROUP

	2013 HK$	2012 HK$
Current		
Bank borrowings	**233,423,200**	196,489,503
Portion of term loans due for repayment within one year	**–**	1,200,000
Portion of term loans due for repayment after one year which contain a repayment on demand clause	**–**	1,000,000
	233,423,200	198,689,503

18 BANK BORROWINGS – GROUP (Continued)

Bank borrowings bear average coupon rate of 4.4% (2012: 4.4%) as at 31 December 2013.

	2013	2012
	HK$	HK$
Other bank borrowings due for wholly repayment within one year	**233,423,200**	196,489,503
Portion of term loans due for wholly repayment within one year	**–**	1,200,000
Portion of term loans due for wholly repayment after one year		
– After 1 year but within 2 years	**–**	1,000,000
– After 2 years but within 5 years	**–**	–
Total bank borrowings *(note (i))*	**233,423,200**	198,689,503

Note (i):

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of a repayment on demand clause.

The Group's bank borrowings were under fixed and floating interest rates as follows:

	2013	2012
	HK$	HK$
Floating interest rates	**233,423,200**	198,689,503

The Group's bank borrowings were secured as follows:

	2013	2012
	HK$	HK$
Secured	**152,659,962**	197,457,103
Unsecured	**80,763,238**	1,232,400
	233,423,200	198,689,503

As at 31 December 2013, secured bank borrowings are secured by certain pledged bank deposits (note 12) and guaranteed by certain group companies.

18 BANK BORROWINGS – GROUP (Continued)

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2013	2012
	HK$	HK$
6 months or less	**190,234,542**	116,176,206
6 – 12 months	**43,188,658**	81,513,297
1 – 5 years	**–**	1,000,000
	233,423,200	198,689,503

The carrying amounts of bank borrowings approximate to their fair values.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2013	2012
	HK$	HK$
HKD	**71,000,000**	63,091,292
USD	**18,094,962**	45,425,714
RMB	**144,328,238**	90,172,497
	233,423,200	198,689,503

The Group has the following undrawn borrowing facilities:

	2013	2012
	HK$	HK$
Floating rate		
– Expiring within one year	**744,287,038**	168,007,047
– Expiring beyond one year	**109,931,762**	–
	854,218,800	168,007,047

19 DEFERRED INCOME TAX – GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013 HK$	2012 HK$
Deferred tax assets:		
– Deferred tax assets to be recovered within 12 months	**(2,938,116)**	(1,590,783)
	(2,938,116)	(1,590,783)
Deferred tax liabilities:		
– Deferred tax liabilities to be realised after more than 12 months	**14,589,423**	10,498,147
– Deferred tax liabilities to be realised within 12 months	**–**	1,323,257
	14,589,423	11,821,404
Deferred tax liabilities, net	**11,651,307**	10,230,621

The net movement on the deferred income tax account is as follows:

	2013 HK$	2012 HK$
At 1 January	**10,230,621**	12,873,620
Acquisition of a subsidiary	**–**	2,032,788
Exchange difference	**(78,151)**	61,317
Charged/(credited) to consolidated statement of comprehensive income *(note 27)*	**1,498,837**	(4,737,104)
At 31 December	**11,651,307**	10,230,621

19 DEFERRED INCOME TAX – GROUP (Continued)

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities				Deferred tax assets		
	Undistributed profits of a subsidiary established in the PRC *(Note (i))* HK$	Intangible assets HK$	Temporary difference on reinstatement HK$	Others HK$	Tax losses *(Note (ii))* HK$	Unrealised profit on inventory HK$	Total HK$
At 1 January 2012	9,955,587	1,808,991	–	1,109,042	–	–	12,873,620
Acquisition of a subsidiary	–	1,694,318	–	817,888	(479,418)	–	2,032,788
Exchange difference	–	33,299	–	34,802	(6,784)	–	61,317
Charged/(credited) to consolidated statement of comprehensive income	–	(2,494,999)	–	(1,150,805)	344,312	(1,435,612)	(4,737,104)
At 31 December 2012	9,955,587	1,041,609	–	810,927	(141,890)	(1,435,612)	10,230,621
Exchange difference	–	(72,800)	–	(7,919)	2,568	–	(78,151)
Charged/(credited) to consolidated statement of comprehensive income	–	(968,809)	2,538,251	1,292,577	139,322	(1,502,504)	1,498,837
At 31 December 2013	**9,955,587**	**–**	**2,538,251**	**2,095,585**	**–**	**(2,938,116)**	**11,651,307**

Note:

(i) According to the new Enterprise Income Tax ("**EIT**") Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

During the year ended 31 December 2013 and 2012, deferred income tax liabilities of HK$5,899,128 and HK$10,197,992 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits in 2013 and 2012. The unremitted earnings are to be used for long-term future development. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

19 DEFERRED INCOME TAX – GROUP (Continued)

Note: (Continued)

(i) (Continued)

The deferred tax liabilities on temporary differences associated with 10% of undistributed profits of a subsidiary established in the PRC derived on or after 1 January 2008 as at 31 December 2013 amounting to HK$9,955,587 (2012: HK$9,955,587).

(ii) No deferred tax assets had been recognised in respect of the unused tax losses of certain Group companies, as it was uncertain whether sufficient taxable profits would be available to allow utilisation of the carried forward tax losses, the amounts of the unused tax losses and the relevant unrecognised of deferred tax assets not recognised are as follows:

	2013	2012
	HK$	HK$
Unused tax losses	**12,316,678**	13,619,923
Deferred income tax assets not recognised	**2,995,641**	3,164,624

The expiry date for the unused tax losses is as follows:

	2013	2012
	HK$	HK$
Within 1 year	**8,464,472**	401,237
Within 2 years	**668,447**	8,464,472
Within 3 years	**887,643**	668,447
Within 4 years	**193,668**	887,643
Within 5 years	**1,058,348**	193,668
Without expiry date	**1,044,100**	3,004,456
	12,316,678	13,619,923

20 OTHER INCOME – GROUP

	2013 HK$	2012 HK$
Agency fee income *(note (i))*	**1,859,788**	4,313,630
Others	**546,429**	931,183
	2,406,217	5,244,813

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.

21 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP

	2013 HK$	2012 HK$
Continuing operations		
Wages, salaries and bonus	**155,914,190**	75,273,371
Pension costs	**9,838,475**	4,500,018
Other staff benefits	**11,686,002**	6,404,684
Less: employee benefit expenses attributable for research and development	**(9,053,357)**	(5,670,769)
	168,385,310	80,507,304
Discontinued operations		
Wages, salaries and bonus	–	12,389,095
Pension costs	–	740,649
Other staff benefits	–	1,054,134
Less: employee benefit expenses attributable for research and development	–	(262,464)
	–	13,921,414
	168,385,310	94,428,718

Note: As at 31 December 2013, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2012: HK$ nil).

22 OTHER EXPENSES – GROUP

	2013 HK$	2012 HK$
Continuing operations		
Auditor's remuneration	**2,762,709**	967,821
Communications	**2,154,306**	1,254,239
Professional service fees, including listing costs	**13,371,287**	17,257,960
Motor vehicle expenses	**5,104,514**	4,308,224
Travelling	**27,464,227**	19,276,640
Insurance	**1,934,679**	1,482,514
Office utilities	**15,603,515**	7,929,675
Other tax-related expenses and custom duties *(note (i))*	**16,336,766**	13,490,761
Trade receivables written off during the year as uncollectible *(note 11(a))*	**2,000,277**	–
Write off of inventories *(note 10)*	**2,181,827**	–
Others	**5,820,735**	5,659,170
	94,734,842	71,627,004
Discontinued operations		
Auditor's remuneration	**–**	114,612
Communications	**–**	148,530
Professional service fees	**–**	2,043,728
Motor vehicle expenses	**–**	510,190
Travelling	**–**	2,282,785
Insurance	**–**	175,563
Office utilities	**–**	939,051
Other tax-related expenses and custom duties *(note (ii))*	**–**	1,597,607
Others	**–**	297,438
	–	8,109,504
	94,734,842	79,736,508

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.

23 OTHER GAINS/(LOSSES) – GROUP

	2013 HK$	2012 HK$
Continuing operations		
Foreign exchange losses *(note 28)*	**(109,270)**	(904,063)
Loss on disposals of property, plant and equipment	**(67,393)**	(18,323)
Fair value change on forward share exchange contract	**561,246**	(5,811,663)
Government grants	**2,632,599**	–
Others	**246,246**	(133,665)
	3,263,428	(6,867,714)
Discontinued operations		
Foreign exchange losses *(note 28)*	**–**	(63,999)
Loss on disposals of property, plant and equipment	**–**	(1,297)
Loss on disposal of a subsidiary	**–**	(777,732)
	–	(843,028)
	3,263,428	(7,710,742)

24 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – GROUP

(a) Directors' and chief executive emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2013 is set out below:

Name	Fee HK$	Salary HK$	Bonus HK$	Other benefit HK$	Employer's contribution to pension scheme HK$	Total HK$
Executive director and chief executive						
Wang JinLong	–	1,468,536	–	–	45,088	1,513,624
Executive director						
Zhao Jindong	–	1,017,312	–	–	40,310	1,057,622
Non-executive director						
Lee Tommy	–	165,000	–	–	–	165,000
Ma Hua	–	165,000	–	–	–	165,000
Tong HinWor *(note (i))*	–	165,000	–	–	–	165,000
Wong Lap Tat Arthur *(note (i))*	–	275,000	–	–	–	275,000
He Shenghou *(note (i))*	–	165,000	–	–	–	165,000
Lee Lap *(note (ii))*	–	–	–	–	–	–
Ko PoMing *(note (i))*	–	275,000	–	–	–	275,000
	–	3,695,848	–	–	85,398	3,781,246

Notes:

(i) Appointed on 18 February 2013

(ii) Resigned on 18 February 2013

24 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – GROUP (Continued)

(a) Directors' and chief executive emoluments (Continued)

The remuneration of every director and the chief executive for the year ended 31 December 2012 is set out below:

Name	Fee	Salary	Bonus	Other benefit	Employer's contribution to pension scheme	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Executive director and chief executive						
Wang JinLong	–	1,278,472	–	–	30,424	1,308,896
Executive director						
Zhao Jindong	–	34,830	–	–	1,203	36,033
Non-executive director						
Lee Tommy	–	–	–	–	–	–
Ma Hua	–	–	–	–	–	–
Sun JinXia	–	801,093	–	–	27,676	828,769
Lee Lap	–	–	–	–	–	–
Leung James	–	–	–	–	–	–
	–	**2,114,395**	**–**	**–**	**59,303**	**2,173,698**

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: four) individuals during the year are as follows:

	2013	2012
	HK$	HK$
Salary	**2,802,602**	4,112,515
Bonus	**–**	–
Other benefit	**–**	–
Employer's contribution to pension scheme	**70,222**	–
	2,872,824	4,112,515

24 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – GROUP (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emoluments band		
Nil to HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**1**	1
	3	4

25 SHARE-BASED PAYMENTS – GROUP

On 20 December 2010, the Company adopted a Share Option Scheme (the "**Scheme**") pursuant to which selected participants may be granted options to subscribe for shares as indentures or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest. Share options are granted to all directors and selected employees. The options have a contractual option term of five years. Except for 80 shares options granted to a senior management, all the past options are non-conditional which are exercisable from the grant date. For this senior management, half of the 80 share options are conditional on the employee completing two years' and three years' service (the vesting period), respectively. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash.

The Scheme was supplemented and amended by an addendum on 25 September 2012, where the Company shall issue the relevant number of ordinary shares instead of non-voting shares at the revised exercise price on or after the listing of the Company. Subsequent to the listing of the Company, the outstanding options and average exercise price per share would be 42,244,108 and HK$0.91, respectively. All the outstanding options are exercisable and will be expired in 2015.

25 SHARE-BASED PAYMENTS – GROUP (Continued)

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

	2013		2012	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
As at 1 January	**0.91**	**42,244,108**	0.88	55,607,799
Forfeited	**0.80**	**(5,939,418)**	0.78	(13,363,691)
Exercised	**0.92**	**(21,719,757)**	N/A	–
As at 31 December	**0.95**	**14,584,933**	0.91	42,244,108

All outstanding options were exercisable at 31 December 2013. All of the share options outstanding will be expired in 2015. Options exercised in 2013 resulted in 21,719,757 shares (2012: nil) being issued at a weighted average price of HK$0.92 each. The related weighted average share price at the time of exercise was HK$3.85 per share.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of services received is measured based on the Binomial model. The contractual life of the option is used as input into this model.

Assumption used in the fair value of the share options

The fair value of each option granted as at 20 December 2010 as determined by using the Binomial model ranges from HK$24,411 to HK$34,141, average exercise price of HK$65,649, volatility of 47%, expected option life of 5 years, dividend yield of 1% and annual risk-free interest rate of 3.497%. Expected volatility is assumed to be based on historical volatility of the comparable companies.

26 FINANCE INCOME AND COSTS – GROUP

	2013 HK$	2012 HK$
Continuing operations		
Interest expenses:		
– Bank borrowings wholly repayable within five years	**(11,044,915)**	(7,539,453)
– Provision for impairment of trade receivables *(note 11)*	**(7,124,977)**	–
– Net foreign exchange gains on financing activities *(note 28)*	**5,181,157**	35,860
Finance costs	**(12,988,735)**	(7,503,593)
Finance income:		
– Interest income on short-term bank deposits	**5,270,885**	120,644
– Gain on net monetary position	**7,473,618**	–
Finance income	**12,744,503**	120,644
Net finance costs from continuing operations	**(244,232)**	(7,382,949)
Discontinued operations		
Interest expenses:		
– Bank borrowings wholly repayable within five years	**–**	(404,674)
– Net foreign exchange gains on financing activities *(note 28)*	**–**	1,925
Finance costs	**–**	(402,749)
Finance income:		
– Interest income on short-term bank deposits	**–**	5,584
Finance income	**–**	5,584
Net finance costs from discontinued operations	**–**	(397,165)
Net finance costs	**(244,232)**	(7,780,114)

27 INCOME TAX EXPENSE – GROUP

	2013 HK$	2012 HK$
Continuing operations		
Current tax		
– Hong Kong profits tax	**17,298,690**	11,918,682
– PRC enterprise income tax	**28,612,077**	39,151,494
– Singapore corporate tax	**1,550,020**	265,031
	47,460,787	51,335,207
Over provision in prior years		
– Hong Kong profits tax	**(5,145)**	(483,803)
Deferred tax *(note 19)*	**1,498,837**	(4,737,104)
Income tax expense from continuing operations	**48,954,479**	46,114,300
Discontinued operations		
Current tax		
– Hong Kong profits tax	**–**	2,096,345
Income tax expense from discontinued operations	**–**	2,096,345
Income tax expense	**48,954,479**	48,210,645

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% (2012: 16.5%) during the year.

(ii) PRC Enterprise Income Tax

Petro-king Oilfield Technology Limited was approved by relevant local tax bureau authorities as the High-technological Enterprise, and was entitled to a preferential EIT rate of 15% (2012: 25%) during the year.

Shenzhen Fluid Science & Technology Co., Limited was approved by relevant local tax bureau authorities as the High-technological Enterprise, and was entitled to a preferential EIT rate of 15% (2012: 15%) during the year.

27 INCOME TAX EXPENSE – GROUP (Continued)

(ii) PRC Enterprise Income Tax (Continued)

Dezhou Jiacheng Oil Tools Co., Limited has applied for the registration of Small and Low-profit Enterprise through regulatory tax bureau in 2011, and it enjoyed the EIT preferential treatment for Small and Low-profit Enterprise in 2012 and 2013.

(iii) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% for the year ended 31 December 2013 (2012: 17%).

(iv) Venezuela corporate tax

Subsidiary established in Venezuela is subject to Venezeulan corporate tax at a rate of 34% for the year ended 31 December 2013.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits of the Group entities as follows:

	2013 **HK$**	2012 HK$
Profit before income tax	**259,460,626**	232,901,623
Tax calculated at domestic tax rates applicable to profits in the respective entities	**47,902,042**	45,243,195
– Over provision of taxation for prior years	**(5,145)**	(483,803)
– Income not subject to tax	**(708,065)**	(433,807)
– Expenses not deductible for tax purposes	**1,764,380**	2,160,328
– Tax losses for which no deferred tax assets was recognised	**1,267**	1,724,732
Income tax expense	**48,954,479**	48,210,645

The weighted average applicable tax rate was 19% (2012: 19%).

28 NET FOREIGN EXCHANGE GAINS/(LOSSES)

	2013 HK$	2012 HK$
Continuing operations		
Net foreign exchange gains/(losses) taken to:		
Other losses *(note 23)*	**(109,270)**	(904,063)
Net finance costs *(note 26)*	**5,181,157**	35,860
	5,071,887	(868,203)
Discontinued operations		
Net foreign exchange losses taken to:		
Other losses *(note 23)*	**–**	(63,999)
Net finance costs *(note 26)*	**–**	1,925
	–	(62,074)
	5,071,887	(930,277)

29 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 year.

	2013	2012
Profit from continuing operations attributable to owners of the Company (HK$)	**196,600,131**	167,737,974
Profit from discontinued operations attributable to owners of the Company (HK$)	**–**	10,608,779
Weighted average number of ordinary shares in issue (number of shares)	**989,292,933**	746,441,218
Basic earnings per share from continuing operations (HK$ cents)	**20**	22
Basic earnings per share from discontinued operations (HK$ cents)	**–**	1

29 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 has one category of dilutive potential ordinary shares: 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.

	2013	2012
Profit from continued operations attributable to owners of the Company (HK$)	**196,600,131**	167,737,974
Profit from discontinued operations attributable to owners of the Company (HK$)	**–**	10,608,779
Weighted average number of ordinary shares in issue (number of shares)	**989,292,933**	746,441,218
Adjustment for:		
– Share options	**11,209,319**	20,842,596
Weighted average number of ordinary shares for diluted earnings per share	**1,000,502,252**	767,283,814
Diluted earnings per share from continuing operations (HK$ cents)	**20**	22
Diluted earnings per share from discontinued operations (HK$ cents)	**–**	1

The basic and diluted earnings per share have been restated to take 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. In addition, subsequent to 31 December 2012, the number of ordinary shares and potential ordinary shares has been impacted by transactions which do not require retrospective adjustment.

30 DIVIDENDS

A dividend in respect of the year ended 31 December 2013 of HK$0.05 per share, amounting to a total dividend of HK$53,405,022, is to be proposed at the annual general meeting on 30 May 2014. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

31 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS – GROUP

(a) Cash generated from operations

	2013 **HK$**	2012 HK$
Profit before income tax	**259,460,626**	232,901,623
Adjustments for:		
– Depreciation *(note 6)*	**19,615,366**	8,190,071
– Amortisation *(note 7)*	**8,448,875**	11,952,313
– Gain on net monetary assets *(note 26)*	**(7,473,618)**	–
– Trade receivables written off during the year as uncollectible *(note 22)*	**2,000,277**	–
– Write off of inventories *(note 22)*	**2,181,827**	–
– Share of results of an associate	**–**	1,102,297
– Share of results of a jointly controlled entity	**–**	43,226
– Loss on disposal of property, plant and equipment *(note b)*	**67,393**	19,620
– Net finance costs	**10,360,010**	7,780,114
– Foreign exchange loss/(gains)	**1,298,286**	(1,374,429)
– Fair value change on forward share exchange contract *(note 23)*	**(561,246)**	5,811,663
– Gain on disposal of a jointly controlled entity	**–**	(47,742,893)
– Loss on disposal of a subsidiary	**–**	777,732
	295,397,796	219,461,337
Changes in working capital:		
Inventories	**(125,962,199)**	(71,887,929)
Trade and other receivables, deposits and prepayments	**(388,549,310)**	(390,883,117)
Trade and other payables	**(69,452,395)**	416,498,833
Cash (used in)/generated from operations	**(288,566,108)**	173,189,124

31 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS – GROUP (Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	2013	2012
	HK$	HK$
Net book amount *(note 6)*	**901,828**	260,622
Loss on disposal of property, plant and equipment *(note 23)*	**(67,393)**	(19,620)
Proceeds from disposal of property, plant and equipment	**834,435**	241,002

(c) Financing activities

	2013	2012
	HK$	HK$
Borrowings at beginning of year	**198,689,503**	103,328,522
Proceeds from borrowings	**513,250,790**	422,754,560
Repayments of borrowings	**(473,129,768)**	(327,648,871)
Interest expense	**11,044,915**	7,944,127
Interest paid	**(11,044,915)**	(7,944,127)
Exchange differences	**(5,387,325)**	255,292
Borrowings at end of year	**233,423,200**	198,689,503

(d) Non-cash transactions

During year ended 31 December 2013, the principal non-cash transaction is the issuance of 8,880,680 shares (2012: 102 shares) as the consideration of step acquisition of Sheraton for the second tranche completion (note 34).

32 CONTINGENCIES – GROUP

	2013 HK$	2012 HK$
Performance bonds	**2,049,336**	–

Performance bonds related to the guarantees provided by the banks to the Group's customers in respect of the sales of tools and equipment in an overseas project. 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.

33 COMMITMENTS – GROUP

(a) Capital commitments

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

	2013 HK$	2012 HK$
Land use right		
– Authorised but not contracted for	**–**	24,700,000
Property, plant and equipment		
– Contracted but not provided for	**403,109,369**	–

(b) Operating lease commitments – group company as lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of 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:

	2013 HK$	2012 HK$
No later than 1 year	**11,817,710**	12,359,358
Later than 1 year and no later than 5 years	**12,375,950**	13,335,707
Later than 5 years	**5,177,653**	–
	29,371,313	25,695,065

34 BUSINESS COMBINATIONS

(a) Acquisition of Sheraton Investment Worldwide Ltd. ("Sheraton")

Pursuant to the agreement in relation to the subscription and sale and purchase of shares of Sheraton entered into among Sheraton, Natural Peak Overseas Limited ("**Natural Peak**") and Hero Gain Investments Limited ("**Hero Gain**") dated 24 January 2011, the Company agreed to purchase and subscribe for up to 55% interest in Sheraton from Natural Peak. As at 30 April 2011, the Group has already acquired a total of 45.5% equity interest in Sheraton and Sheraton was accounted for as a jointly controlled entity.

Pursuant to the agreement (as amended by a supplemental agreement dated 21 June 2012 between the above mentioned same parties), Hero Gain further acquired 5.5% equity interest in Sheraton on 21 June 2012 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 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.

(b) Acquisition of additional interests in Sheraton

On 25 November 2013, Hero Gain further acquired 4% equity interest in Sheraton in consideration of issuance of 1,552,075 shares of the Company to the seller at the issue price of HK$4.23, for the total consideration of approximately HK$6,565,000.

Pursuant to the further acquisition agreement dated on 2 December 2013, Hero Gain acquired the remaining 45% equity interest in Sheraton with a cash consideration of US$1,600,000 (equivalent to approximately HK$12,400,000), US$4,000,000 (equivalent to approximately HK$31,000,000) by allotment and issue of 7,328,605 shares of the Company at issue price HK$4.23, and a contingent cash consideration of US$2,400,000 (equivalent to approximately HK$18,600,000).

With regards to the contingent consideration payable of US$2,400,000, in the event that the adjusted 2013 net profit of Sheraton falls short of US$2,250,000 (equivalent to approximately HK$17,437,000), Hero Gain shall be entitled to a consideration adjustment. The consideration adjustment is calculated based on the guaranteed profit of US$2.5 million less adjusted net profit of Sheraton in 2013, multiplied by 0.96 (consideration of US$2.4 million divided by guaranteed profit of US$2.5 million).

34 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of additional interests in Sheraton (Continued)

As a result of the above transactions, Sheraton became a wholly-owned subsidiary of the Group. The following table summarises the consideration paid and payable for Sheraton:

	2013 HK$
Shares issued in exchange	37,570,000
Forward contract for acquisition of additional equity interest *(note (i))*	(773,939)
Cash payment	12,400,000
Consideration payable	18,600,000
	67,796,061

Note (i):

The forward contract was initially recognised for the Company's obligation to acquire the further 15% ownership in Sheraton in 3 tranches pursuant to the Initial Sheraton Acquisition agreement. The amount HK$773,939 represents the fair value of the forward share exchange contract related to the obligation to acquire the remaining 4% as at date of transaction and is thus included in the purchase consideration. Nil balance remains in the balance sheet as at 31 December 2013 as all three tranches have been completed and the forward share exchange contracts were settled.

The carrying amount of the non-controlling interests in Sheraton Group on the date of acquisition was HK$18,660,659. The Group recognised a decrease in non-controlling interests of HK$18,660,659 and a decrease in equity attributable to owners of the Company of HK$49,135,402. The effect of changes in the ownership interest in Sheraton on the equity attributable to owners of the Company during the year is summarised as follows:

	2013 HK$
Carrying amount of non-controlling interests acquired	18,660,659
Consideration paid/payable to non-controlling interests	(67,796,061)
Excess of consideration paid recognised within equity	(49,135,402)

35 ACCUMULATED GAINS/(LOSSES) – COMPANY

	2013 HK$	2012 HK$
At beginning of year	**(17,388,327)**	(27,688,959)
Profit for the year	**88,502,301**	130,300,632
Dividend	**–**	(120,000,000)
At end of year	**71,113,974**	(17,388,327)

36 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY

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 the years ended 31 December 2013 and 2012, and balances arising from related party transactions as at 31 December 2013 and 2012.

Name	**Relationships**
Mr. Wang JinLong	Director
Mr. Zhao JinDong	Director
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)

36 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY (Continued)

(a) Sales of goods

	2013 HK$	2012 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.

(b) Purchases of goods

	2013 HK$	2012 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 personnel are deemed to be the members of the board of directors and top management of the Company who have the responsibility for the planning and controlling the activities of the Group.

	2013 HK$	2012 HK$
Salaries and other short-term employee benefits	**6,493,369**	5,859,683

36 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY (Continued)

(d) Amounts due from/(to) related parties

Group

	2013 HK$	2012 HK$
Amounts due (to)/from related parties *(note (i))*:		
At 1 January	**(25,080)**	86,199
Expenses paid on behalf of the Group during the year	**(3,029,684)**	(2,622,624)
Reimbursement to related parties	**2,514,468**	2,511,345
At 31 December	**(540,296)**	(25,080)
Advance to an associate:		
At 1 January	**–**	5,478,030
Advance to an associate during the year	**–**	2,840,391
Repayment received	**–**	(2,859,936)
Balance being reclassified to other receivable upon disposal of a subsidiary	**–**	(5,458,485)
At 31 December	**–**	–
Amount due to shareholders:		
At 1 January	**(120,000,000)**	–
Dividend paid	**120,000,000**	–
Dividend payable	**–**	(120,000,000)
At 31 December	**–**	(120,000,000)
Advance to a jointly controlled entity:		
At 1 January	**–**	7,767,400
Elimination upon step acquisition	**–**	(7,767,400)
At 31 December	**–**	–
Prepayment to a jointly controlled entity for purchases of inventories:		
At 1 January	**–**	3,844,164
Utilisation of the prepayment	**–**	(3,844,164)
At 31 December	**–**	–

36 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY (Continued)

(d) Amounts due from/(to) related parties (Continued)

Group (Continued)

As at 31 December 2013 and 2012, the balances are interest-free, unsecured, receivable/repayable on demand and approximate to their fair values, except for the advance to a jointly controlled entity (subsequently become a subsidiary upon the step acquisition), which has an interest of 6% per annum.

Note (i): The balances primarily represent expenses paid on behalf by the Directors, Wang JinLong & Zhao JinDong.

Company

	2013	2012
	HK$	HK$
Amounts due from subsidiaries		
At 1 January	**517,748,540**	386,809,981
Dividend receivable	**100,000,000**	150,000,000
Advance to subsidiaries	**92,541,537**	–
Repayment received	**(144,901,772)**	(19,061,441)
At 31 December	**565,388,305**	517,748,540
Amounts due to shareholders		
At 1 January	**(120,000,000)**	–
Dividend paid	**120,000,000**	–
Dividend payable	**–**	(120,000,000)
At 31 December	**–**	(120,000,000)

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

36 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY (Continued)

(d) Amounts due from/(to) related parties (Continued)

Company (Continued)

The carrying amount of the amounts due from subsidiaries is denominated in the following currencies:

	2013 HK$	2012 HK$
USD	**51,118,168**	81,502,324
RMB	**30,287,215**	–
HKD	**483,982,922**	436,246,216
	565,388,305	517,748,540

The carrying amount of the amounts due to shareholders is denominated in HKD.

37 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2013 HK$	2012 HK$
Unlisted shares, at cost	**284,300,993**	284,300,993
Equity instrument to a subsidiary *(note (i))*	**869,233,740**	–
	1,153,534,733	284,300,993

37 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

As at 31 December 2013, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Interest held Directly	Interest held Indirectly	Principal activities and place of operation	Country of incorporation and kind of legal entity/date of incorporation	Particulars of issued share capital/ registered capital
Petro-king Holding Limited	100%	–	Investment holding in Hong Kong	Hong Kong, Limited liability company 13 September 2007	10,000 ordinary shares of 1 HKD each
Petro-king International Company Limited	–	100%	Trading of tools and equipment and provision for consultancy service in the PRC, Venezuela, Russia and Gabonese Republic, etc.	Hong Kong, Limited liability company 14 July 2003	5,000,000 ordinary shares of 1 HKD each
深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited) *(note (a))*	–	100%	Trading of tools and equipment and provision for consultancy service in the PRC and Iraq, etc.	The PRC, Limited liability company (wholly foreign owned enterprise) 26 April 2002	Registered capital of RMB76,000,000
德州嘉誠石油裝備有限公司 (Dezhou Jiacheng Oil Tools Co., Limited)	–	100%	Trading of tools and equipment and provision for consultancy service in the PRC	The PRC, Limited liability company 3 April 2007	Registered capital of RMB10,000,000
Wellsharp Group Limited	–	100%	Dormant in BVI	BVI, Limited liability company 11 April 2008	100 ordinary shares at no par value for 1 USD each
深圳市弗賽特檢測設備有限公司 (Shenzhen Fluid Science & Technology Co., Limited) *(note (b))*	–	60%	Manufacturing and trading of tools and equipment in the PRC	The PRC, Limited liability company 20 January 2006	Registered capital of RMB10,000,000
Hero Gain Investment Limited	–	100%	Investment holding in BVI	BVI, Limited liability company 1 July 2010	1 ordinary share at no par value for 1 USD each
Turbodrill Technology Pte. Limited	–	100%	Manufacturing and repairing of oilfield and gasfield machinery and equipment in Singapore	Singapore, Limited liability company 1 September 2011	1 ordinary share of 1 USD each

37 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Interest held Directly	Interest held Indirectly	Principal activities and place of operation	Country of incorporation and kind of legal entity/date of incorporation	Particulars of issued share capital/ registered capital
Petro-king Oilfield Technology (South America) Holdings Limited	–	100%	Provision of oilfield technology and services in Venezuela	BVI, Limited liability company 16 March 2012	1,000,000 ordinary shares of 1 USD each
Sheraton Investment Worldwide Ltd	–	100%	Investment holding in BVI	BVI, Limited liability company 9 June 2010	1,000 ordinary shares at no par value for 1 SGD each
星油能源科技（深圳）有限公司 (Sun Oil Technology Co., Ltd)	–	100%	Manufacturing and trading of oilfield tools and equipment in the PRC	The PRC, Limited liability company (wholly foreign owned enterprise) 8 April 2011	Registered capital of USD1,000,000
H-Star Petrotech Company Limited	–	100%	Investment holding in Hong Kong	Hong Kong, Limited liability company 10 December 2010	10,000 ordinary shares of 1 HKD each
Star Petrotech Pte Ltd.	–	100%	Manufacturing and repairing of other oilfield and gasfield machinery and equipment in Singapore	Singapore, Limited liability company 4 February 2009	400,000 ordinary shares at no par value for 1 SGD each
惠州市弗賽特石油設備有限公司	–	60%	Sales and lease of equipment and provision of drilling and well completion services in the PRC	The PRC, Limited liability company 14 August 2012	Registered capital of RMB10,000,000
Petro-king Oilfield Technology Holdings Limited De Venezuela, C.A.	–	100%	Provision of oilfield technology and services in Venezuela	Venezuela, Limited liability company 17 September 2012	1,000,000 ordinary share of Bs 4.3 each
百勤石油技術（惠州）有限公司	–	100%	Provision of oilfield tools and equipment technology services and research and development in the PRC	The PRC, Limited liability company (wholly foreign owned enterprise) 21 September 2012	Registered capital of USD5,000,000

37 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Interest held Directly	Interest held Indirectly	Principal activities and place of operation	Country of incorporation and kind of legal entity/date of incorporation	Particulars of issued share capital/ registered capital
江蘇百勤完井技術有限公司	–	100%	Manufacturing and repairing of other oilfield and gasfield machinery and equipment in the PRC	The PRC, Limited liability company 19 March 2013	Registered capital of RMB5,000,000
北京百勤油服科技有限公司	–	100%	Oilfield technology promotion and provision for consultancy services in the PRC	The PRC, Limited liability company 26 June 2013	Registered capital of RMB500,000
百勤（重慶）油氣工程技術服務有限公司	–	100%	Trading of tools and equipment and provision for consultancy service in the PRC	The PRC, Limited liability company (wholly foreign owned enterprise) 28 August 2013	Registered capital of RMB20,000,000
Turbodynamics Pte. Ltd.	–	86%	Manufacturing and repairing of oilfield and gasfield machinery and equipment in Singapore	Singapore, Limited liability company 1 August 2013	Registered capital of 100 ordinary shares of SGD1 each
Petro-king International Holdings Limited	–	100%	Dormant in Hong Kong	Hong Kong, Limited liability company 13 May 2013	10,000 ordinary shares of HKD1 each
百勤石油（深圳）有限公司	–	100%	Dormant in the PRC	The PRC, Limited liability company 8 November 2013	Registered capital of RMB10,000,000

Note (i): This represents loan to subsidiaries which are unsecured and non-interest bearing. These loans have no pre-determined terms of repayment and are regarded as quasi equity contributions to the subsidiaries.

Notes:

(a) On 25 June 2013, the registered capital of Petro-King Oilfield Technology Limited increased from RMB20,000,000 (equivalent to approximately HK$22,405,000) to RMB76,000,000 (equivalent to approximately HK$92,686,000), where the additional capital was contributed by Petro-king Holding Limited.

(b) On 20 April 2012, the registered capital of Shenzhen Fluid Science & Technology Co., Limited increased from RMB3,500,000 (equivalent to approximately HK$4,211,000) to RMB10,000,000 (equivalent to approximately HK$12,258,000), where the additional capital was contributed by the Group and the non-controlling interests on a pro-rata basis. The equity interest of the Group and the non-controlling interests remained unchanged after the capital increase.