ANNUAL REPORT

* For identification purpose only

2014

SPT Energy Group Inc.
華油能源集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1251

Corporate Information

THE BOARD

Executive Directors

Mr. Wang Guoqiang
(Chairman and Chief Executive Officer)
Mr. Wu Dongfang
Mr. Liu Ruoyan
Mr. Jin Shumao

Non-Executive Directors

Mr. Lin Yang
Ms. Chen Chunhua

Independent Non-Executive Directors

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Wan Kah Ming

AUDIT COMMITTEE

Mr. Wu Kwok Keung Andrew *(Chairman)*
Ms. Chen Chunhua
Mr. Wan Kah Ming

REMUNERATION COMMITTEE

Ms. Zhang Yujuan *(Chairman)*
Mr. Wang Guoqiang
Mr. Wu Kwok Keung Andrew

NOMINATION COMMITTEE

Mr. Wang Guoqiang *(Chairman)*
Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew

AUTHORISED REPRESENTATIVES

Mr. Wang Guoqiang
Ms. Mok Ming Wai

COMPANY SECRETARY

Ms. Mok Ming Wai *(FCIS, FCS)*

COMPANY WEBSITE

www.spt.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

Building 3
Chaolai High-tech Industrial Park
A1 Laiguangying Middle Street
Chaoyang District
Beijing
PRC (zip code: 100012)

Corporate Information

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISOR

Morrison & Foerster

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank
Huaxia Bank
CITIC Bank
Bank of Kunlun Company Limited
Bank of China

INVESTOR RELATIONS

Porda Havas

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1251

DATE OF LISTING

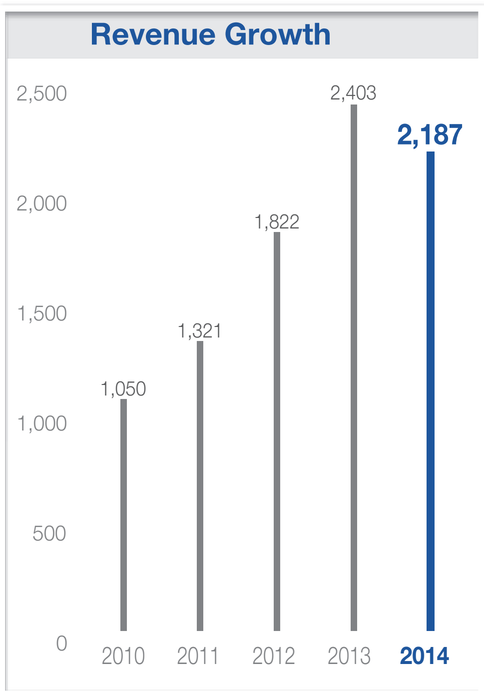
23 December 2011

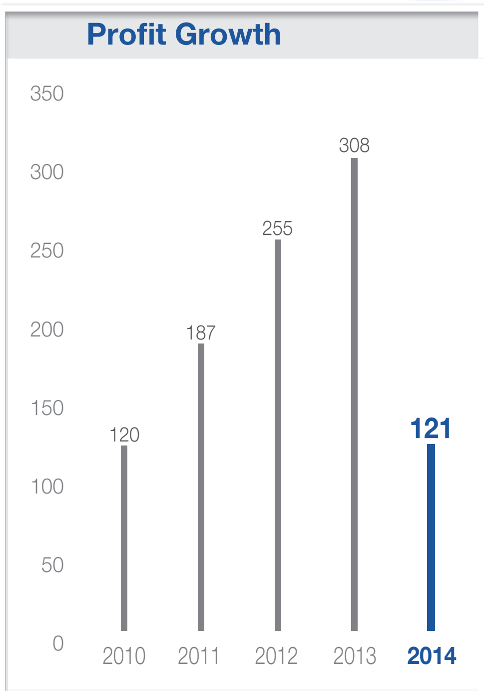
Financial Summary

The following financial information is extracted from the consolidated financial statements of the Group, which is prepared under the International Financial Reporting Standards:

CONDENSED CONSOLIDATED INCOME STATEMENT

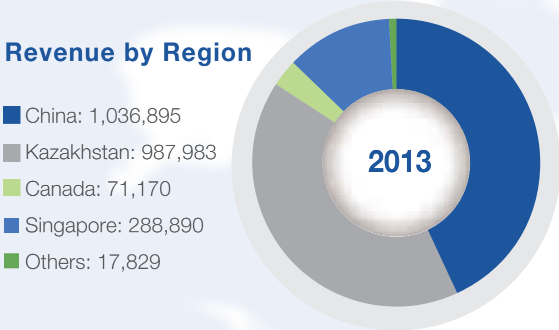
	For the year ended 31 December				
RMB'000	**2014**	2013	2012	2011	2010
Revenue	**2,186,958**	2,402,767	1,821,661	1,321,260	1,050,432
Other (losses)/gains, net	**(17,960)**	12,608	(11,435)	(7,760)	4,206
Operating costs	**(1,964,813)**	(2,001,247)	(1,448,157)	(1,037,851)	(873,705)
Operating profit	**204,185**	414,128	362,069	275,649	180,933
Finance cost, net	**(43,820)**	(24,638)	(22,797)	(13,999)	(5,350)
Profit before income tax	**160,365**	389,490	339,272	261,650	175,583
Profit for the year	**114,267**	308,397	254,938	186,583	119,443
Attributable to:					
Equity owners of the Company	**116,176**	300,377	247,703	181,806	119,509
Non-controlling interests	**(1,909)**	8,020	7,235	4,777	(66)
Dividends proposed after balance sheet date	**–**	76,520	61,000	13,350	–

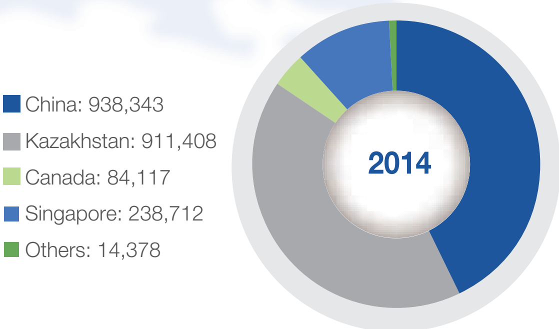




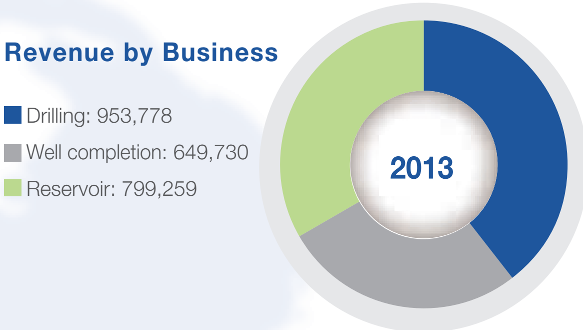
Financial Summary

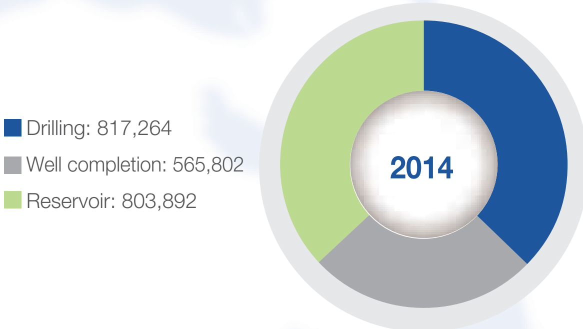
Revenue by Region





Revenue by Business





CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
RMB'000	**2014**	2013	2012	2011	2010
Asset					
Non-current assets	**832,278**	544,272	388,849	284,416	236,175
Current assets	**2,750,919**	2,507,924	2,106,196	1,184,351	929,510
Total assets	**3,583,197**	3,052,196	2,495,045	1,468,767	1,165,685
Total equity	**1,922,054**	1,831,194	1,628,174	903,789	601,950
Liability					
Non-current liabilities	**84,521**	106,861	151,394	16,700	434
Current liabilities	**1,576,622**	1,114,141	715,477	548,278	563,301
Total liabilities	**1,661,143**	1,221,002	866,871	564,978	563,735
Total equity and liabilities	**3,583,197**	3,052,196	2,495,045	1,468,767	1,165,685
Net current assets	**1,174,297**	1,393,783	1,390,719	636,073	366,209
Total assets less current liabilities	**2,006,575**	1,938,055	1,779,568	920,489	602,384

Chairman's Statement

> We strive to become a first-class international energy services enterprise.
>
> Wang Guoqiang
> Chairman and Executive Director

Dear Shareholders,

On behalf of the board of directors of SPT Energy Group Inc. ("the Company", or together with its subsidiaries, "the Group"), I present the annual report of the Group for the year ended 31 December, 2014.

During the year, domestic and international economic environment has significantly changed, the total investments of domestic oil companies have dwindled and the international oil prices have slumped. All these factors have significantly affected the oil-field services industries. In addition, the Group had to fight the challenge arising from the Kazakhstan Tenge's devaluation. Under such challenging market environment, the Group has taken prudent financial strategy and done its utmost to explore domestic and international markets. Based on the solid integrated capability and the improving technologies, the Group maintained its existing markets and achieved new opportunities and ultimately remained profitable despite such difficult market. For the year ended 31 December, 2014, the Group realised revenue amounted to RMB2,187.0 million and accounted for the profit attributable to the equity owners of the Company amounted to RMB116.2 million.

MARKET REVIEW

During the year, the domestic oil companies cut its total investments, the entire industry has changed its operation style from productivity-orientation to efficiency and cost-saving. In the second half of the year, the international oil prices kept falling, Brent and WTI oil prices have plunged to the lowest level in the recent years. The oil companies were forced to become more prudent when they worked for the exploration and development plans, the investments were intended to be cut and projects were delayed. The competition of the downstream oil-field services industry was intensified in turn and the services providers had to face more challenges. However, it has come to our attention that the oil-field services providers who could assist the oil companies to improve their oil and gas development and provide new technologies to assist the oil companies to improve the operation efficiency are becoming popular. This trend will encourage such oil-field services companies to continuing develop their businesses.

Chairman's Statement

In the end of the year, the State Council released *The Energy Development Strategy Action Plan (2014-2020)*, which stated that China has entered into the energy development strategy transmission period. It also stated that the safe energy supply should be ensured, as well as energy structure should be improved and energy related technologies should be strengthened. During the year, the oil and gas output reached the highest level. Ministry of Land and Resources disclosed that China's oil output reached 210 million tons, representing an increase of 0.7% as compared with last year and making the outputs over 200 million tons for five consecutive years while natural gas output reached 132.9 billion cubic meters, representing an increase of 10.7% as compared with last year. In particular, thanks to the development of shale gas industry, the shale gas output reached 1.3 billion cubic meters, 5.5 times of the output of last year. Along with the expansion of the Oil & Gas market, the industry's marketization reform was gradually underway as well. CNPC and Sinopec have initiated the reform of diversified shareholding structure. The combination of the original shareholders and the qualified non state-owned shareholders will help integrate their advantages in markets, operations and technologies and improve the resources deployment and ultimately improve the entire energy market system.

In domestic market, Xinjiang area is the key area of Western Development Plan and enjoyed variant preferential policies. In September, 2013, President Xi Jinping introduced the "One Belt and One Road" strategy, Xinjiang area will enjoy more encouraging policies as the key region of this policy. Following Sinopec's reform of diversified shareholding structure, CNPC has announced it would initiate the reform beginning from Xinjiang area. It's the opinion of the Group that the future economy in Xinjiang area will become more active, the market-orientation will grow and the development prospects will be more brilliant, as these policies take effect. The Group has been in Xinjiang for over 20 years and accumulated profound understanding in the area, as such the Group will make more progress in this area.

In overseas market, the Group kept on strengthening the existing Kazakhstan market. In addition, the Group has made a lot of efforts to explore Turkmenistan market in recent years. We not only have achieved successes in well completion services, but also have endeavored to expand other services which could bring the Group continuing and stable revenue such as the oil reservoir services. Both Kazakhstan and Turkmenistan have remained close to China's economy. Now they are also geographically within the "One Belt and One Road", the Group believes these two areas will experience fast and broad development in the future. In Iraq, the Group has won a 3-year consecutive dynamic monitoring contract in Oasis Oilfield at the end of 2013 and based on this, the Group will explore new opportunities and we believe we will succeed in this market.

During the year, the Group and Halliburton jointly established Xinjiang HDTD Oilfield Services Co., Ltd, a joint venture engaged in the provision of fracturing stimulation services initially in Xinjiang area. The establishment of the joint venture marked the milestone of the cooperation of the Group and Halliburton. The Group believes that our Group's over 20 years experiences in Xinjiang area and Halliburton's advanced technologies will strongly support the joint venture aimed the intensifying market competition.

PROSPECT

Looking forward, the global economy will gradually recover and the structural reforms will proceed, the Oil and Gas industry will accelerate its evolution. The industry will focus more on work quality and operation efficiency, as well as the reduction of the costs and the enhancement of the profitability through improving industry structure, extending international cooperation and strengthening technology innovation. In addition, *The Energy Development Strategy Action Plan (2014-2020)* will take effect and the One Belt and One Road strategy will be implemented, the China Oil and Gas industry will experience the strategic opportunity.

Chairman's Statement

Based on the integrated services strategy, the Group will accelerate the technology innovation in drilling, well completion and oil reservoir segment, improve the utilization and enhance the risk-control ability, to strengthen our existence in the market. In addition, the Group will also extend the cooperation with international oil-field services providers, accumulate international operation management experience and expand international market, so as to improve the international operation capability.

China has taken emphasis on the development of clean energy, in particular the development of unconventional gas such as shale-gas, dense natural gas and coal seam gas. The Group believes the innovation of China's energy consumption structure will continue. Research and development of high production technologies and the accumulation of core technologies will support the Group to seize the opportunities arising from the commercial development of clean energy.

ACKNOWLEDGEMENTS

On behalf of the board of directors, I would like to take this opportunity to express our heartfelt gratitude to all of our respected shareholders, customers, business partners and investors for their trust and support, also to all of our employees for their contribution. We will devote ourselves to develop our business and achieve steady growth so as to bring better return of investment to our shareholders.

Wang Guoqiang
Chairman and Executive Director

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014 (the "Reporting Year"), revenue of the Group was RMB2,187.0 million, representing a decrease of RMB215.8 million, or 9.0%, as compared with that of RMB2,402.8 million for the previous year. The decrease was mainly due to the weak Oil and Gas market which adversely affected the Group's business. In addition, the devaluation of Kazakhstan Tenge ("KZT") also reduced the Group's revenue when translating KZT denominated revenue into RMB presented revenue.

Other gains/(losses), net

For the Reporting Year, other (losses), net of the Group was RMB18.0 million, while the other gains, net for the previous year was RMB12.6 million. The net losses was primarily due to the devaluation of KZT which caused the appreciation of US Dollar ("USD")-denominated liabilities against KZT. Those related to bank borrowings were accounted for as "Financial cost, net" account.

The net foreign currency exchange losses due to KZT's devaluation was RMB21.5 million as follows:

Losses recognised in other(losses) net	RMB19.8 million
Add: losses recognised in Financial cost net	RMB7.1 million
Deduct: income tax impact	RMB(5.4) million
Net impact:	RMB21.5 million

Material costs

For the Reporting Year, material costs of the Group was RMB564.5 million, representing an increase of RMB24.7 million, or 4.6%, as compared with that of RMB539.8 million for the previous year. The increase was mainly because the Group provided more well completion tools services in the year and these kinds of services consumed much more material costs than other services.

Employee benefit expenses

For the Reporting Year, employee benefit expenses of the Group was RMB617.1 million, representing an increase of RMB72.8 million, or 13.4%, as compared with that of RMB544.3 million for the previous year. The increase was mainly due to more employees hired from the end of 2013 to the beginning of 2014 to prepare for the business development.

Operating lease expenses

For the Reporting Year, operating lease expenses of the Group was RMB134.3 million, representing a decrease of RMB38.5 million, or 22.3%, as compared with that of RMB172.8 million for the previous year. It was partially due to the reduction of relevant workload and partially due to the replacement of the leased equipment by purchased ones.

Transportation costs

For the Reporting Year, transportation costs of the Group was RMB76.0 million, representing a decrease of RMB1.8 million, or 2.3%, as compared with that of RMB77.8 million for the previous year. The decrease was in line with the decline of business.

Depreciation and amortisation

For the Reporting Year, depreciation and amortisation of the Group was RMB82.7 million, representing an increase of RMB12.0 million, or 17.0%, as compared with that of RMB70.7 million for the previous year. The increase was because the Group has invested in more equipment and intangible assets.

Technical service expenses

For the Reporting Year, technical service expenses of the Group was RMB261.2 million, representing a decrease of RMB61.3 million, or 19.0%, as compared with that of RMB322.5 million for the previous year. The decrease was partially due to the decline of business and partially due to less projects requiring outsourcing in the Reporting Year.

Impairment loss of assets

For the Reporting Year, impairment reverse of assets of the Group was RMB6.1 million, representing a decrease of RMB31.9 million, or 123.5%, as compared with that of an impairment cost of RMB25.8 million for the previous year. The reserve was mainly due to the recovery of certain receivables which have been provided in the previous years.

Others

For the Reporting Year, other operating costs of the Group was RMB235.1 million, representing a decrease of RMB12.5 million, or 5.0%, as compared with that of RMB247.6 million for the previous year. This was mainly because the Group has taken measures to cut G&A ("General and Administrative") expenses.

Operating profit

As a result of the aforementioned changes, operating profit of the Group decreased from RMB414.1 million for the previous year to RMB204.2 million for the Reporting Year, representing a decrease of RMB209.9 million, or 50.7%.

Finance costs, net

For the Reporting Year, the Group's finance costs, net was RMB43.8 million, representing an increase of RMB19.2 million, or 77.9%, as compared with that of RMB24.6 million for the previous year. This was mainly due to the increase of bank borrowings.

Income tax expense

For the year ended 31 December 2014 (the "Reporting Year"), income tax expense was RMB46.1 million, representing a decrease of RMB35.0 million, as compared with that of RMB81.1 million for the previous year. The effective income tax rate (income tax expense/profit before income tax) for the Reporting Year was 28.7% while the effective income tax rate for the previous year was 20.8%. This was mainly due to the increase of certain non-deductible expenses, as well as the increase of withholding tax paid in foreign jurisdiction but cannot be offset against local tax.

Profit for the period

As a result of the aforementioned changes, the Group's profit for the Reporting Year decreased from RMB308.4 million for the previous year to RMB114.3 million, representing a decrease of RMB194.1 million, or 62.9%.

Profit attributable to equity owners of the Company

For the Reporting Year, profit attributable to equity owners of the Company was RMB116.2 million, representing a decrease of RMB184.2 million from that of RMB300.4 million for the previous year.

Property, plant and equipment

As at 31 December 2014, property, plant and equipment was RMB603.6 million, representing an increase of RMB230.9 million, or 62.0%, from RMB372.7 million as at 31 December 2013. This was mainly due to the purchases of equipment to meet the business development requirements.

Inventories

As at 31 December 2014, inventories was RMB550.1 million, representing an increase of RMB65.2 million, or 13.4%, from RMB484.9 million as at 31 December 2013. The increase was mainly because the Group kept more inventories during the year to meet the expected business development requirements.

Trade and note receivables and trade payables

As at 31 December 2014, trade and note receivables was RMB1,396.1 million, representing an increase of RMB140.3 million, or 11.2%, from RMB1,255.8 million as at 31 December 2013. The increase reflected the fact that the Group suffered more stress of collecting money from clients under the downside market environment.

As at 31 December 2014, trade payables was RMB849.1 million, representing an increase of RMB165.4 million, or 24.2%, from RMB683.7 million as at 31 December 2013. The increase was mainly because the Group managed to prolong the payment term in order to partially eliminate the negative impact of prolonged receivables turnover days.

Management Discussion and Analysis

Liquidity and capital resources

As at 31 December 2014, the Group's cash and bank deposits, comprising cash and cash equivalents, and restricted bank deposits, were RMB603.3 million, representing a decrease of RMB57.5 million, or 8.7%, from RMB660.8 million as at 31 December 2013. The decrease was mainly due to the net cash outflow from operating activities in the Reporting Year.

As at 31 December 2014, the Group's short-term borrowings and current portion of long-term borrowings were RMB459.7 million, while the long-term borrowings was RMB58.7 million. As at 31 December 2013, the Group's short-term borrowings and current portion of long-term borrowings were RMB190.0 million, the long-term borrowings were RMB84.8 million.

As at 31 December 2014, the Group's gearing ratio was 27.0%, representing an increase of 80.0% as compared with 15.0% as at 31 December 2013. Gearing ratio was calculated as total borrowings divided by total equity. Total borrowings include long-term borrowings, short-term borrowings and current portion of long-term borrowings.

As at 31 December 2014, equity attributable to the equity owners of the Group was RMB1,774.3 million, representing a decrease of RMB9.8 million, or 0.5%, as compared with RMB1,784.1 million as at 31 December 2013.

Cash flows from operating activities

For the Reporting Year, the Group's net cash used in operating activities was RMB90.8 million, representing a decrease of RMB344.2 million or 135.8%, while the net cash generated from operating activities was RMB253.4 million for the previous year. The change was mainly because the Group's receivables turnover rate changed negatively under the downside market environment.

Cash flows from investing activities and financing activities

For the Reporting Year, the Group's net cash used in investing activities was RMB206.1 million, mainly due to the purchases of property, plant and equipment and intangible assets.

For the Reporting Year, the Group's net cash generated from financing activities was RMB265.6 million, mainly resulting from the increase of bank borrowings.

Foreign exchange risk

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

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

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2014, the total number of ordinary shares of the Company in issue was 1,534,408,999 shares (31 December 2013: 1,530,391,333 shares). As at 31 December 2014, total equity attributable to the equity owners of the Company was RMB1,774.3 million, representing a decrease of RMB9.7 million, or 0.5%, as compared with RMB1,784.1 million as at 31 December 2013.

Significant investment held

As at 31 December 2014, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries and associates

For the Reporting Year, the Group had no material acquisition or disposal of subsidiaries and associates.

Assets pledged

As at 31 December 2014, the Group pledged parts of its property, plant and equipment, long-term prepayments and trade and note receivables to secure the Group's borrowings. The carrying values of the assets pledged are as follows:

	As at 31 December 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Property, plant and equipment	**1,444**	2,643
Long-term prepayments	**9,761**	16,712
Trade and note receivables	**216,600**	22,000
Land use right	**14,000**	–
Restricted bank deposits	**10**	–

Management Discussion and Analysis

Convertible bonds

For the Reporting Year, the movement in convertible bonds which were recognised partially as equity and partially as long-term borrowings are as follows:

	RMB'000
Face value of convertible bonds issued on initial recognition date	94,526
Less: Equity component	(32,370)
Liability component on initial recognition date	62,156

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

	2014 ***RMB'000***
Liability component as at 31 December 2013	**72,456**
Add: Interest expense in 2014	**13,754**
Less: Interest paid and payable	**(2,754)**
Less: Exchange difference	**209**
Liability component as at 31 December 2014	**83,665**

Contingent liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Off-balance sheet arrangements

As at 31 December 2014, the Group had no off-balance sheet arrangements.

Management Discussion and Analysis

Contractual obligations

The Group's contractual commitment mainly included capital expenditure commitments and repayments under operating lease commitments. As at 31 December 2014, capital expenditure commitments were mainly acquisition of property, plant and equipment with the amount of RMB1.0 million, while operating lease commitments were mainly lease of offices, warehouses and equipments with the amount of RMB413.9 million.

BUSINESS REVIEW

For the Reporting Year, the Group recognised revenue of RMB2,187.0 million, declining by RMB215.8 million, or 9.0%, from that of RMB2,402.8 million for the previous year. Net profit for the year was RMB114.3 million, decreasing by RMB194.1 million, or 62.9%, from that of RMB308.4 million for the previous year.

Both decreases in revenue and net profit were mainly due to the following factors:

1. The reduction in investment of domestic Oil and Gas industry persisted for the whole Reporting Year and the global oil prices plunge in the second half of the Reporting Year jointly depressed the whole Oil and Gas market and caused the major clients of the Group to cut their spending on exploration and development work. This was the fundamental factor leading to the decrease in the Group's revenue.

2. The decline of investment by oil companies intensified the oil-field services market competition, which brought down the Group's profit margin. In addition, employee benefit expenses rose as the Group has hired more employees from the end of 2013 to the beginning of the Reporting Year to prepare for the business development, which further reduced the profit.

3. The devaluation of KZT in February 2014 caused a significant decrease in revenue and profit as well.

During the Reporting Year, weakness of the entire Oil and Gas market persisted. Oil companies have cut their spending, especially in their exploration and development work. Following the oil companies' investment decline, the total market size of the oil-field services shrunk and this in turn intensified the market competition. In addition, as domestic oil companies have put more emphasis on the work efficiency than on output expansion, cost-saving strategy was introduced. The oil-field services providers had to experience a hard time with less business, lower profit and tighter cash flow during the year.

Under such circumstances, the business of the Group has suffered from the declining market. Accordingly, revenue has decreased, profit has declined and the operating cashflow has become negative. In addition, the devaluation of KZT by nearly 20% in February 2014 severely hit the Group's operation in Kazakhstan, resulting in significant foreign exchange loss, which further reduced the Group's revenue and profit. The Group has taken necessary measures to stabilise the business in its main markets, explore new markets, control the costs and balance the cash flow. Thanks to the asset-light strategy, the more balanced geographical and service-line structure and the more healthy financial structure, the Group has successfully remained profitable under such difficult market environment.

For the domestic operation, the Group realised revenue amounting to RMB938.3 million, accounting for 42.9% of total revenue for the Report Year and representing a decrease of 9.5% as compared with the previous year. The Group has achieved, among others, the following:

1. The Group and Halliburton B.V. jointly established Xinjiang HDTD Oilfield Service Co., Ltd. ("HDTD"), a fracture stimulation services company in Xinjiang Uygur Autonomous Region of China. Combining Halliburton's advanced fracturing technology, strong equipment performance and the Group's profound understanding of the geological conditions and rich experience in the market development, HDTD is very well equipped to strongly compete in the Xinjiang Oil and Gas market;

2. The Group has entered into an important agreement with Tuha Oil-field Company pursuant to which the Group will provide 6 workover rigs capacity's services to Tuha oilfield in 2015. This is the first time that the Group has secured a continuing service contract in the oilfield. It grants the Group not only the access to a new workover market, but a new opportunity to introduce the Group's other service lines to Tuha oilfield as well;

3. The Group has succeeded in bidding an integrated project in Sichuan Anyue gas field, being the second time to win an integrated project. This is a solid evidence showing the market's recognition of the Group's integrated services capability;

4. The Group has been granted the agency license of GE's certain oil-related equipment sales and services in certain areas of China. The Group considers it a good opportunity to integrate the existing oil-related equipment maintenance business so that the Group will have the ability to provide to their clients a full range of services from such equipment's sales to service and maintenance;

5. The Group has successfully provided oil-base mud services to 7 shale gas wells in Sichuan basin. In addition, the Group and Halliburton jointly won a fracturing tender for Shenhua Group's Baoye-1 shale gas well. The Group has been involved in more and more shale gas projects and accumulated more and more shale gas work experience.

For the overseas operation, the Group realised revenue amounting to RMB1,248.6 million, accounting for 57.1% of total revenue for the Reporting Year and representing a decrease of 8.6% as compared with the previous year. Although the KZT's devaluation has significantly affected the Group's performance in the Kazakhstan market, the Group has used its best endeavors to stabilise the operation and explore new markets. During the Reporting Year, the Group has made the following new achievements:

1. The Group has done its utmost to stabilise its business and reduce the negative impact of KZT's devaluation in the Kazakhstan market. The Group has also provided services or prepared for providing services to non-China National Petroleum Corporation ("CNPC") oil companies such as MIE Holdings Corporation ("MIE"), Tarbagatay Munay Limited Liability Partnership ("TBM") and Sozak Oil and Gas Company, to explore new market and to diversify the client concentration;

2. Following the successful provision of 35 sets well-completion tools services to Amu Darya Natural Gas Company in Turkmenistan in the first half of the Reporting Year, the Group further won a contract of 40 sets well-completion tools services in the same market. In addition, the Group began to provide oil-reservoir services, such as the hermetic seal testing services, in Turkmenistan market as well. Apart from these, the Group has planned to introduce more service lines to Turkmenistan market. Being the key supplier of the Central Asia-China natural gas pipelines, which will reach the capacity of 85 billion cubic meters' natural gas transmission by 2016, Turkmenistan's natural gas industry will boom in the next few years. The Group will be in good shape to get involved in the development of the area based on its sound track records and presence;

3. The Group proactively explored other overseas markets as well. In Iraq, the Group has well organised its service team to perform the dynamic-monitoring services contract obtained in 2013 and pursued more business in the Middle East market. The Group also began to pursue the business opportunities in East Africa.

REVENUE ANALYSIS

For the Reporting Year, the Group's revenue by segment is set out below:

	2014 ***RMB'000***	2013 *RMB'000*	Fluctuation
Oil Reservoir Segment	**803,892**	799,259	0.6%
Well Completion Segment	**565,802**	649,730	(12.9)%
Drilling Segment	**817,264**	953,778	(14.3)%
Total	**2,186,958**	2,402,767	(9.0)%

As introduced in "Business Review" section, driven by the downsides of domestic and overseas Oil and Gas markets, as well as KZT's devaluation, the Group's revenue declined for the Reporting Year. Well completion and drilling's revenue declined more as compared with the comparative year, as parts of work of these two segments are related to the oil companies' Capital Expenditure ("CAPEX"), while oil reservoir's revenue remained slightly increasing as most of its work are in relation to oil companies' production work, which has not been affected so much since the Group's major clients did not reduce their output in 2014.

Management Discussion and Analysis

Oil Reservoir Segment

Set forth below is the revenue of oil reservoir segment presented by geographical location:

	2014 *RMB'000*	2013 *RMB'000*	Changes *(%)*
PRC	**332,797**	298,652	11.4
Overseas	**471,095**	500,607	(5.9)
Total	**803,892**	799,259	0.6

For the Reporting Year, the oil reservoir segment realised revenue amounting to RMB803,892,172, representing an increase of 0.6% from the previous year. The revenue recognised in PRC was RMB332,797,015, representing an increase of 11.4%, while the revenue recognised in overseas was RMB471,095,157, representing a decrease of 5.9%. The oil reservoir services are mainly provided for oil companies' production work, as major clients of the Group did not reduce their output during the year, the oil reservoir revenue of the Group was not affected so much but even kept growing in the PRC. However, oil reservoir revenue from overseas decreased as Kazakhstan's oil reservoir revenue was significantly affected by the KZT's devaluation.

The oil reservoir segment of the Group mainly provides geology research and oil reservoir research, dynamic monitoring, oil testing, oil recovery technology service and maintenance of surface production devices. The Group always focuses on the geological data gathering, analysis and evaluation to help clients design effective plans for the exploration, development and production work. Based on the continuing efforts, the Group has grown to the leading independent oil reservoir services provider in China. As such, the Group has the advantage of getting involved in oil and gas wells' exploration, development and production work at the very early stage.

During the Reporting Year, the oil reservoir segment has achieved the following:

1. Expansion into new market. In Turkmenistan, the hermetic seal testing business has been carried out and the oil reservoir team has provided the services to the client's 8 wells. In Kazakhstan, the oil testing business has entered into TBM company's Zaysan oilfield and the oilfield of Sino-Science (the "Hong Kong Sino-Science International Oil and Gas Investment Group Company Limited"). In addition, based on the successful performance of the dynamic monitoring contract in Iraq's Ahdeb oilfield, the Group began to pursuit new opportunities in the Iraq market as well. The Group believes these successful penetrations will bring additional markets and more business in the future.

2. Cooperation with GE. The Group has obtained the agency license of GE's certain oil-related equipment sales and services in certain areas of China. The cooperation may complement the Group's current oil-related equipment maintenance business and will help the Group form integrated oil-related equipment services business line from sales to services and maintenance. This will be helpful to the introduction of such business to the clients and the expansion of revenue in the future.

3. Technology breakthrough. The Group successfully provided the fishing service to a Tarim oilfield's well with the wellhead's pressure reaching 83.7MPa. The success has strongly proven the Group's construction ability and technical potentials.

Well Completion Segment

Set forth below is the revenue of well completion segment presented by geographical location:

	2014	2013	Changes
	RMB'000	*RMB'000*	*(%)*
PRC	**192,177**	191,657	0.3
Overseas	**373,625**	458,073	(18.4)
Total	**565,802**	649,730	(12.9)

For the Reporting Year, the well completion segment realised revenue amounting to RMB565,802,003, representing a decrease of 12.9% from the previous year. The revenue recognised in PRC was RMB192,177,132, representing an increase of 0.3%, while the revenue recognised in overseas was RMB373,624,871, representing a decrease of 18.4%. As compared with the oil reservoir segment, well completion revenue for the Reporting Year declined more. This was mainly because most of the well completion services are provided to the clients for their exploring and development works, which have been significantly affected as a result of the oil companies' shrinkage CAPEX (the "Capital Expenditure") following the oil price plunge. The geographical segment revenue has been presented in accordance with the country of domicile of entities within the Group, if it is re-allocated in accordance with the geography where the revenue has been generated from, the actual revenue from both PRC and overseas dropped during the Reporting Year.

The Group is dedicated to providing high-end integrated gas well completion services to the clients. Based on its over 20 years' experience in Tarim oilfield, one of the most difficult oilfields in the world in terms of geological conditions, and close cooperation with Halliburton, the Group has grown to a leading independent well completion services provider in China. The Group's well completion segment mainly provides well completion plan design, well completion tools selection, procurement and installation, perforation, multi-stage fracturing, ancillary materials and surface building constructions.

During the Reporting Year, under the downward market and shrinking CAPEX of oil companies, the Group has used its best endeavors to stabilize the business and pursue new opportunities and achieved the following:

1. The Group has successfully performed the 35 sets well-completion tools contract in Amu Darya gas field of Turkmenistan and the 38 sets well completion tools contract in Anyue gas field of China's Sichuan basin. All these performances have been highly recognised by the clients. In addition, the Group has won a 40 sets well-head tools contract in Turkmenistan during the Reporting Year, strengthening the Group's presence of high market share in Turkmenistan market.

2. The Group and Halliburton jointly established a fracturing company in Xinjiang Autonomous Region in the year. The company will integrate Halliburton's advanced fracturing technology, high-end equipment and materials and the Group's profound understanding of the geological conditions and rich market experiences and provides the clients with high-quality fracturing services. Following the development of more technically sophisticated wells, oil companies will demand more high-end fracturing technologies and services. The Group considers that the jointly established company is ready for the market challenges and will provide high-quality fracturing services to the clients.

Management Discussion and Analysis

Drilling Segment

Set forth below is the revenue of drilling segment presented by geographical location:

	2014	2013	Changes
	RMB'000	*RMB'000*	*(%)*
PRC	**413,369**	546,586	(24.4)
Overseas	**403,895**	407,192	(0.8)
Total	**817,264**	953,778	(14.3)

For the Reporting Year, the drilling segment realised revenue amounting to RMB817,264,253, representing a decrease of 14.3% from the previous year. The revenue recognised in PRC was RMB413,369,335, representing a decrease of 24.4%, while the revenue recognised in overseas was RMB403,894,918, representing a decrease of 0.8% from the previous year. Part of the services of drilling segment is provided to the clients for their exploration and development work, for which the oil companies have significantly cut the spending due to the plunging oil price. As such, this part of services revenue has dwindled as well. However, the other part of services is related to the oil companies' existing wells such as workover. Accordingly so this part of services revenue was less affected.

The Group has always been focusing on becoming the integrated drilling services provider and it has done a lot of work to achieve the objective. As a reward, the Group is the first independent oil-field services provider who has ever provided the integrated project to the clients, which indicates the Group's technology and management ability. The Group's drilling segment mainly provides drilling rig services, workover rig services, vertical drilling technology, horizontal drilling technology, side tracking technology, under balance drilling technology, fine managed pressure drilling (FMPD) technology, cementing services and drilling fluid services.

During the Reporting Year, despite suffering heavy pressure from the shrinking market, the Group still achieved the following:

1. Following the good performance in previous year, the Group successfully completed 8 wells drilling work in China's Erdos basin, comprising 6 vertical wells and 2 horizontal wells in the Reporting Year. These drilling works were highly recognised by the clients.

2. Winning an integrated project in Anyue oilfield of China's Sichuan basin. This is the second time that the Group has won an integrated project from these clients. The Group will provide services from the geological research and plan design to well completion and gas testing, covering the whole process from exploration and development to production. Together with the first provision of integrated project in Tarim oilfield, the continuing integrated projects are the signs of the Group's integrated services ability and the clients' recognition.

3. Winning a continuous project in Tuha oilfield. The Group has entered into an agreement with Tuha Oilfield Company pursuant to which the Group will provide continuing workover services with 6 workover rigs in next year. This represents the Group's success in entering this market and the Group expects to take this opportunity to introduce more services to the client and get more revenue from the Tuha market.

4. Participating in shale-gas development. During the Reporting Year, the Group has provided drilling fluid for 7 shale-gas wells in China's Sichuan basin. In addition, the Group and Halliburton have jointly won a tender from China Shenhua Group pursuant to which the Group will provide fracturing services to Baoye-1 shale-gas well. In the past few years, the Group has already got involved in over 30 shale-gas wells exploration and development work and accumulated much experience. In order to provide better services to the clients, the Group's Unconventional Oil and Gas Department and the Institute of Geology Engineering Technology have done a lot of fruitful work to technically support the development of shale-gas wells. The Group believes that all these works have made the Group well prepared for the shale-gas development. When the large-scale shale-gas development takes off, the Group will be very well ready to explore the huge market.

MARKET ENVIRONMENT

During the Reporting Year, the whole Oil and Gas industry experienced a very hard time. From late 2013, driven by the change in operational strategy from "Pursuing Productivity" to "Efficiency Orientation", the oil giants in China began to cut spending in their major oil-fields. In addition, from the second half of the Reporting Year, initiated by the market concerns of the oil glut, the oil prices kept falling by nearly 50 percent from its peak in June. International oil companies in turn began to significantly reduce their exploration and development work. As a result of these two factors, the oil-field services providers, both in domestic market and in overseas market, faced the issues of dwindling workload, declining price and intensifying competitiveness.

Despite the difficult market environment, the Group remained cautiously optimistic to the oilfield services market, especially from the long-term perspective, due to the following considerations:

1. The oil price will eventually rebound after a period of volatility. The low oil price has pushed oil companies to cut spending. Although the spending shrinkage concentrates on the exploration and development activities for current stage, it will ultimately bring down the output. The market will be adjusted and the demand and supply will become re-balanced. The low oil price will go back to normal and the oil-field services market will resume as well.

2. The oil and gas demands in China market will keep rising, driven by the continuing economic growth. The rising demands will be resolved partially by import and partially by self-production. Following the strengthening of the environment protection consciousness and the China's central government's commitment to improve the environment, the demand for natural gas will grow faster than the demands for oil. In addition, the central government of China has promised to develop shale-gas and set up the development strategy and goals. Although there are some technical and economic issues in the shale-gas development, we can still see obvious progress. The shale-gas output in China has reached 13 billion cubic meters during the Reporting Year, 5 times of the output in the previous year.

3. The change to "Efficiency-orientation" strategy requires qualified oil-field services providers who can address the cost-saving concern of the oil companies by providing more efficient work and a shorter work cycle. Independent oil-field services providers including SPT can meet the oil companies' requirements better than those in-house services providers who usually own too much heavy equipment and have to support too many employees. As such, independent oil-field services providers including SPT will have broader scope of development.

4. The central government of China has promised to break monopoly and promote market openness, transparency and fairness. From a long-term perspective, the Group believes the market will eventually become market-oriented and the services providers with sophisticated technology, integrated operation ability and good track records, such as SPT, will have more opportunities to grow fast. It is noticed that China National Petroleum Corporation ("CNPC") has begun its mixed ownership reform in Xinjiang Autonomous Region. Future shareholding structure of oil companies will become more diversified and market-orientation will prevail.

5. Xinjiang Autonomous Region, where the Group has significant operation, will have a more brilliant future. Apart from the aforementioned diversified shareholder reform, other positive factors that will prompt economic development in the area can be observed as well. The West Region Development Policy states that the central government of China will give extra policies support to the west region to stimulate the west region's economy and promote its social progress. The investment in this area will surge and the Oil and Gas industry, being one of the most competitive industries in the area, will benefit from the policies. In addition, the concept of the "One Belt And One Road" strategy also indicates that Xinjiang Autonomous Region will have brilliant future economic development opportunities.

R&D AND MANUFACTURING

Over the years, the Group's research and development ("R&D") team has been striving towards the goals of strengthening the R&D of engineering technology and giving strong support to integrated technology services for oil and gas field development projects. During the Reporting Year, the Group signed a strategic alliance agreement with China University of Geosciences (Beijing) and established a joint R&D center. With the support of core technology research, the R&D and Manufacturing capabilities of the Group located in PPS R&D and Manufacturing base in North America, ENECAL R&D and Manufacturing center in Singapore and well completion tool manufacturing center in Tanggu Tianjin, were greatly enhanced, forming a comprehensive engineering technology support system consisting of R&D, manufacturing and integrated engineering services.

With the aim of engaging in conventional and unconventional oil and gas engineering projects, the Group set up 12 core R&D projects including high temperature logging while drilling (LWD) tools and mechanical-water swellable composite packer series, which cover oil and gas reservoir, drilling, logging, completion, stimulation, testing and waste disposed in 2014. Most of the technologies have undergone field experiment or have been completed. Among which, the high temperature LWD tools completed two kinds of prototype and carried out the downhole test. The oil base drilling fluid debris harmless processing technology and fishable inner pipe gas lift negative pressure pump technology were applied on the site. These technologies provided strong technological support for tight oil and gas engineering, horizontal well development and old oilfield technology modification with the view to become the leading technology in the technological services market locally and abroad.

During the Reporting Year, the Group completed the development of oil, water swellable and composite packer series and its products were widely applied in the Oil and Gas engineering market in Central Asia. The Group focuses on high temperature and pressure high-end completion tool. Currently, the Group has obtained key qualifications including API Q1, API 11D1 and API 14A, providing customers with a range of reliable well completion tools including high-end packers, safety valves and fracturing sleeves.

In 2015, the Group will focus its efforts in the marketing of a number of advanced engineering service technologies including high temperature LWD tools. The Group's leading superiority in technologies including horizontal well directional drilling, high-end completion and stimulation engineering, drilling waste mud treatment and oil/gas well testing, will provide strong technological support for the Group to stabilize the domestic market and expand the overseas markets.

HUMAN RESOURCES

To ensure sustainable and speedy growth of our business, the Group continued to recruit various professional talents to build a "professionalism leading" technology team and optimized the talent structure in various regions to facilitate a rationalized layout of our global business on the one hand. On the other hand, leverage on its internal training system, the Group pushed ahead the development of technology and service capabilities of each business line, and strengthened the nurturing of internal talents and enhancement of integrated quality. As at 31 December 2014, there were a total of 4,084 employees registered with the Group, of which 1,457 were expatriate employees.

During the reporting period, to enhance the leading technology position in each business segment, the Group actively recruited the "elite leaders" in various business areas and successfully recruited more than 20 renowned experts of different profession in the industry and experienced marketing officers. At the same time, through recruiting foreign employees with exchange student background in China and literacy in Chinese language and culture back to work in China, the Group continued to improve the "localization" human resources development strategy in overseas areas.

Facing intensifying competition, the Group, through exploring potential capacity, has gathered a talent pool with a range of strengths. Upon assessment on the capacity and quality of more than 100 core personnel, a tailored training program was formulated for outstanding employees. As at 31 December 2014, dozens of young employees with technical experience, marketing background and management ability were promoted to core management positions successively and made even proactive and effective achievements in the area of market expansion, operational management, technical support and HSE. At the same time, at the group level, various departments were approved to rationalize existing positions and carry out self-appraisal on staff performance in order to immediately optimize the performance of the company and personnel to avoid redundancy.

Adhering to the principle of "Internal Training Based on Business Needs" (人才培養契合業務需求), during the reporting period, fully capitalizing on its own professional resources, the Group encouraged knowledge and experience sharing and identified internal trainer of 63 for the first time among which there are more than 20 competent experts in various technical fields. Meanwhile, an integrated talent training system was established to formulate tailored training system for each level of employees. In 2014, more than 100 integrated capacity building trainings of technology as well as management were held across the Group and more than 3,000 employees received trainings.

OUR PLANS

We remain optimistic about the Oil and Gas industry development from a long-term perspective, while we should seriously take care of the present depressed market. Implementing an appropriate policy so as to balance our short-term efforts on fighting the current difficulties and our long-term commitment to develop the business will be our strategy in the coming year.

1. Continue the efforts to penetrate new markets and new business lines, as well as maintain our shares in existing markets and business lines; keep a close eye on our clients' needs and provide quick services; upgrade our services rendered and become problem-solving specialist.

2. Promote liquidity, improve our receivables turnover rates and control our payables turnover rates so as to improve our operating cash flow; insist on our asset-light strategy and strengthen our external financing ability; remain prudent financial structure.

3. Focus on R&D work and build core technologies, develop our ability to provide integrated services to our clients; improve risk control and quality management.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Wang Guoqiang (王國強), aged 52, is an executive Director and the chief executive officer of the Group, the chairman of the Board and the founder of the Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. He is responsible for the overall operation and management of the Group. Mr. Wang has over 30 years of experience in the petroleum industry. Prior to founding the Group, he served as an engineer of Huabei Petroleum Testing Company (華北石油測試公司), a subsidiary of CNPC, from July 1984 to August 1993. Mr. Wang obtained a diploma in field machinery from North China University of Petroleum Employees (華北石油職工大學) (currently known as Beijing Institute of Economic Management (北京經濟管理職業學院) in July 1984 and a master's degree in business administration from The National University of Singapore in April 2007.

Wu Dongfang (吳東方), aged 43, is an executive Director and a deputy general manager of the Group. He is responsible for business development of the Group. Mr. Wu has over 23 years of experience in the petroleum industry. Mr. Wu joined the Group in December 1993. Mr. Wu served as an assistant engineer of China Petroleum Huabei Oil Field Testing Company (中國石油華北油田測試公司) from March 1991 to November 1993. Mr. Wu obtained a bachelor's degree in electronic instrument and measuring technology from Xi'an Petroleum College (西安石油學院) of China in July 1991 and an executive master's degree in business administration from Tsinghua University (清華大學) of China in February 2006.

Liu Ruoyan (劉若岩), aged 67, is an executive Director and a deputy general manager of the Group. He is responsible for marketing of well drilling and workover business and management of production and operation. Mr. Liu has more than 41 years of experience in the petroleum industry. Mr. Liu joined the Group in July 2008. He served as the general manager of Sino-Kazakhstan Great Wall Drilling Co., Ltd. (中哈長城鑽井有限公司), a subsidiary of CNPC, in charge of marketing and project operations management involving drilling and workover business in Kazakhstan from November 1999 to December 2006. From March 1984 to October 1999, he served as a team leader and well drilling engineer and the chief commander of Jidong Front Line and the deputy general manager and the general manager of No. 2 Well Drilling Company of North China Petroleum Administrative Bureau, a subsidiary of CNPC. From March 1974 to August 1984, he served as a technician of North China Petroleum Campaign Headquarters (華北石油會戰指揮部), a subsidiary of CNPC. From July 1972 to February 1974, he served as an assistant technician of the well drilling team of the Geophysical Prospecting Bureau of the Ministry of Fuel and Chemical Industry of the PRC (中華人民共和國燃料化學工業部). Mr. Liu obtained a diploma in petroleum management and engineering from Fushun Petroleum College (撫順石油學院) of China in July 1984 and a bachelor's degree in economic management from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) in December 1997.

Directors' and Senior Management's Biographies

Jin Shumao (金樹茂), aged 65, is the executive Director of the Group and vice president, and is concurrently the chairman of Group's technology committee and president of Institute of Geology Engineering Technology. He is primarily responsible for the operation, integration and development of all product and service lines of the Company locally and abroad. At the same time, he is in charge of the Group's strategic development (including strategic plans, strategic relations and strategic project development), integrated operations and corporate strategic technology roadmap, as well as the development and implementation of strategic marketing positioning. Mr. Jin has over 42 years of experience in the petroleum and gas industry worldwide and nationwide. Mr. Jin has abundant work experience locally and abroad. His work experience covers China, the US and other countries. He has held key positions in world's renowned international gas and oilfield technology services companies for more than 20 years. Mr. Jin joined the Group in February 2012. He served as Schlumberger China NOCs global account director, Schlumberger global account vice president, and Schlumberger China vice president (斯倫貝謝中國公司) from 2002 to 2011. Mr. Jin worked at Halliburton USA (哈裏伯頓美國公司) and Halliburton China (哈裏伯頓中國公司) from 1989 to 2002, during which he had served as director of executive business development for Emerging Markets, global account general manager for Halliburton China, and business president for Halliburton China. He worked at China National Offshore Oil Company (中國海洋石油總公司) from 1982 to 1988 and at China National Petroleum Corporation and China Petroleum & Chemical Corporation from 1971 to 1982, holding various technical and management positions. Mr. Jin obtained a bachelor's degree in petroleum mechanical engineering from Northeast Petroleum University and a master's degree in business administration from the University of Oklahoma USA (美國奧克拉哈馬州立大學), and is studying PhD program of finance economy in Chinese Academy of Social Sciences (中國社科院).

NON-EXECUTIVE DIRECTORS

Lin Yang (林煬先生), aged 40, was appointed as non-executive director of the Group on 25 September 2012. Mr. Lin is currently an Executive Director of Forebright Capital Management Limited ("FCM"), focusing on private equity transactions in the Greater China region. He is also a non-executive director of China Outfitters Holdings Limited, a company listed on the Stock Exchange of the Hong Kong Limited (the "Stock Exchange") (stock code: 1146). Prior to joining FCM, he worked at China Everbright Investment Management Limited and earlier the research department of China Everbright Limited. Mr. Lin holds a Master of Business Administration Degree from the University of Ottawa and a Bachelor Degree in Mechanical and Automation Engineering from the South China University of Technology. He is a Chartered Financial Analyst holder and is currently a member of the CFA Institute.

Chen Chunhua (陳春花), aged 51, was appointed as an independent non-executive Director of the Group on 1 December 2011 and was re-designated as non-executive Director on 27 March 2013. She is also a member of the Audit Committee of the Group. Ms. Chen has more than 29 years of experience in academic education and practice in corporate operations and business management. She has served South China University of Technology (華南理工大學) since July 1986. Now she is a professor and a tutor of doctoral students in the Business Administration School. She is concurrently a joint chairman and chief executive officer of New Hope Liuhe Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000876) and an independent Director of VTRON Technologies LTD. From March 2003 to December 2004, she served as the president of Shandong Liuhe Company Limited (山東六和集團有限公司) in charge of overall operations and development. Ms. Chen obtained a bachelor's degree of engineering in radio technology from South China Institute of Technology (華南工學院) in June 1986 and became a post-doctoral candidate in the Business Administration School of Nanjing University (南京大學) in September 2005.

Directors' and Senior Management's Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Yujuan (張渝涓), aged 41, was appointed as an independent non-executive Director of the Company on 27 March 2013. She is also the chairman of the Remuneration Committee and a member of the Nomination Committee of the Group. She has more than 17 years of experience in practice in corporate operations and business management. Since 2011, she has been the general manager of Chengdu Tianxinyang Gold Industry Co., Ltd. and the director of Hong Kong Tianxinyang Co., Ltd.. From 1999 to 2010, she served as the deputy general manager of Beijing Hua Zhang Information Co., Ltd. and the general manager of the Economic Management Publishing Division. From 1997 to 1999, she worked in the Chinese Cereals and Oils Association. She obtained a bachelor's degree in economics from the School of Economics of Wuhan University in 1997 and a master's degree in business administration from the Chinese University of Hong Kong in 2009.

Wu Kwok Keung Andrew (胡國強), aged 61, was appointed as an independent non-executive Director of the Group on 1 December 2011. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Group. He is currently the independent non-executive director and chairman of the Audit Committee of China Mengniu Dairy Company Limited, a listed company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2319). Mr. Wu had served Ernst & Young (the "firm") for over 32 years before retirement in January 2010. He served as the regional managing partner of the firm, Hong Kong and Macau region from July 2008 to December 2009. He served as the managing partner of Assurance and Advisory Business Services ("AABS") for Greater China at the firm from 2005 to 2008, and managing partner of AABS Far East in 2006 to 2007. He served as the managing partner of the firm's Beijing office from 1997 to 2000 and the Quality & Risk Management Leader of the firm in China from 2004 to 2005. Mr. Wu obtained a bachelor's degree in science from the University of Hong Kong in 1974. He is a fellow of the Association of Chartered Certified Accountants, United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants.

Wan, Kah Ming (溫嘉明), aged 44, was appointed as an independent non-executive Director of the Group on 1 December 2011. He is also a member of Audit Committee of the Group. Mr. Wan has over 20 years of experience in legal practice focusing on China inbound and outbound investment, finance, mergers, acquisitions and restructuring. He has been the Principal Solicitor of Leung & Wan Solicitors since October 2001. He has been the Executive Chairman of Boen Capital Ltd. (邦溫資本有限公司), Boen Resources Ltd. (邦溫資源有限公司) and Boen Land Ltd. (邦溫建地有限公司) since May 2006, December 2007 and June 2008, respectively. He served as a Consultant of Chan & Chiu Solicitors (陳彼得趙國榮律師行) from January 1998 to September 2001 and an Assistant Solicitor of S.H. Chan & Co. (陳淑雄律師行) from June 1994 to December 1997. Mr. Wan received his Bachelor of Law (Hons) and Postgraduate Certificate in Law from the University of Hong Kong in 1993 and 1994, respectively. He was admitted as a Solicitor to the High Court of Hong Kong in 1996 and the Supreme Court of Wales in 2000. He is also currently the member of the Law Society of Hong Kong and the Chartered Institute of Arbitrators. He has been a China-Appointed Attesting Officer by the Ministry of Justice, PRC (中國司法部委認公證人) since April 2009. He is currently the vice chairman of China Council for the Promotion of Nationalities Trade Hong Kong Branch (中國民族貿易促進會香港分會), a Director of Hong Kong Association for the Promotion of Peaceful Reunification of China, a Director of the China Industrial Overseas Development & Planning Association (中國產業海外規劃和發展協會)，a Director of China Merger & Acquisition Association (中國併購公會), vice supervisor of International Mergers and Acquisitions Committee (國際併購委員會) and an adjudicator of Hong Kong Registration of Persons Tribunal.

Directors' and Senior Management's Biographies

SENIOR MANAGEMENT

Sun Siu Kong (孫小鋼), aged 57, is the chief financial officer of the Group. He is primarily responsible for the financing and restructuring of the Group. Mr. Sun has approximately 29 years of experience in investment, corporate finance and corporate management. Mr. Sun joined the Group in March 2008. He worked in China Investment Corporation (中國投資有限責任公司) from November 2007 to February 2008. He served as the assistant to the chairman and the general manager of the Beijing subsidiary of China International Fund (中國國際基金) from February 2006 to November 2007. He served in various positions in China Scientific International Trust and Investment Company (中國科技國際信託投資有限責任公司) responsible for asset operations, financial management, industrial assets and corporate finance from May 1993 to February 2006. Mr. Sun established Microstep, Inc. in August 1991, and worked at Microstep, Inc. from August 1991 to January 1993. He served as an intern in the New York office of Debevoise & Plimpton LLP from June 1986 to June 1988. Mr. Sun obtained a bachelor's degree in political economics from Beijing Economic College (北京經濟學院) in the PRC in June 1983. He studied at Financial Research Institute of the People's Bank of China (中國人民銀行總行金融研究所) in international finance from September 1983 to April 1986. He also obtained a master's degree in U.S. economic law from the Law School of New York University in February 1988.

Wang Jinbo (王金波), aged 40, is a deputy general manager of the Group. He is primarily responsible for marketing and business development of the Group. Mr. Wang has over 17 years of experience in corporate management. Mr. Wang joined the Company in November 2004. He held the positions of deputy manager, manager and manager of the major client department at Urumqi branch of China Unicom Telecommunications Corporation Ltd. (中國聯合網絡通信股份有限公司) from 2000 to 2004. He worked at the exchange centre of Xinjiang subsidiary of China Unicom Telecommunications Corporation Ltd. (中國聯合網絡通信股份有限公司新疆附屬公司) from 1998 to 2000. Mr. Wang obtained a bachelor's degree in communication engineering from Northern Jiaotong University (中國北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) in China in July 1998 and a master's degree in management from BI Norwegian School of Management in August 2005.

Zhao Feng (趙峰), aged 49, is a deputy general manager of the Company. He is primarily responsible for business development and management of the Group in Northern America and Singapore. Mr. Zhao has approximately 29 years of experience in the petroleum industry. Mr. Zhao joined the Group in January 1999. He served as a reservoir engineer in Shell Canada Ltd. from May to August 1998. He served as a reservoir research engineer in the Langfang Branch of Research Institute of Petroleum Exploration and Development of China National Petroleum Corporation (中國石油天然氣總公司石油勘探開發研究院廊坊分院) from August 1986 to October 1995. Mr. Zhao obtained a bachelor's degree in petroleum engineering from Southwest Petroleum Institute (西南石油學院) in China in July 1986 and subsequently obtained a master's degree in chemical and petroleum engineering from The University of Calgary, Canada in November 2002. He also obtained a master's degree in business administration from the Fuqua School of Business of Duke University in the U.S. in December 2009.

Directors' and Senior Management's Biographies

Wu Yulu (吳玉祿), aged 50, is a deputy general manager of the Group. He is primarily responsible for the Group's regional management work for the Northern area. Mr. Wu has more than 30 years of experience in the petroleum industry. Mr. Wu joined the Group in September 2012. From July 2007 to August 2012, he served as the chief engineer at the exploration and development company of Sinochem Group, in charge of overseas oil & gas project technology evaluation, researching of engineering technology, promotion and application of new technologies, management of drilling, work-over activities, oil recovery and ground facility construction as well as QHSE management. From April 2003 to July 2007, he served as deputy chief engineer Tuha Petroleum Exploration and Development Headquarters (吐哈石油勘探開發指揮部). From March 1991 to December 1995, he was the chief engineer at the drilling department of CNPC Yumen Petroleum Administration Bureau (中石油玉門石油管理局鑽井處) and Yumen drilling department of Turkmenistan-Kazakhstan Petroleum Exploration and Development Headquarters (吐哈石油勘探開發會戰指揮部玉門鑽井指揮部). In 1984, Mr. Wu graduated from China Petroleum University in Petroleum Engineering, and subsequently he also obtained a PhD degree in Mine Machinery (礦場機械) from South West Petroleum University. He is currently a senior engineer.

Li Qiang (**李強**), aged 40, is the deputy general manager of the Group. He is primarily responsible for internal control affairs of the Group including planning and operations. Mr. Li has more than 17 years of experience in corporate management. Mr. Li joined the Group in April 2007. Prior to joining the Company, he served as the senior project manager of Beijing Bowei Management Consultancy Co., Ltd. (北京博維管理顧問有限公司) specializing in corporate strategies, procedure restructuring, human resources management and etc. From August 1998 to June 2004, he worked at Beijing Chemical Company Limited as sales and marketing manager and assistant to plant general manager. Mr. Li obtain a bachelor's degree in corporate management from Beijing Wuzi University in 1998 and a master's degree in business administration from Peiking University in 2005.

Jiang Qingsong (蔣青松), aged 41, is the deputy general manager of the Group. He is primarily responsible for the business development and management of the overseas market other than North America. Mr. Jiang has more than 18 years of work experience in the petroleum industry. Mr. Jiang joined the Group in March 2003. From January 2014, he has been the deputy general manager and general manager of Overseas Marketing Division of the Group. From January 2012 to December 2013, he served as the director, deputy general manager and general manager of the Group's Central Asia Division. From March 2003 to December 2011, he worked at the Western branch of the Group as the head of interpretation centre, manager of production and logging project, deputy marketing manager of Aktyubinsk project, manager of Kyzylorda project and general manager of Kazakhstan branch. From July 1997 to February 2003, he was a reservoir engineer at Chunliang Oil Recovery Plant (純梁採油廠) of the Geological Scientific Research Institute of Shengli Oilfield Company Limited, a subsidiary of Sinopec Group in charge of the duties as the head of oilfield development over the years. He obtained a bachelor's degree in petroleum engineering from Daqing Petroleum Institute of China in July 1997 and a master's degree in business administration from China Europe International Business School ("CEIBS") in November 2014.

Li Zhiguo (李志國), aged 41, is the deputy general manager of the Group and manager of Western Division. He is primarily responsible for market development of the Group and works in Western Division. Mr. Li has more than 20 years of experience in the petroleum industry. Mr. Li joined the Group in March 1996. From 1996, he has held the positions of responsibility engineer, operations manager, marketing manager, deputy manager of Western Division, manager of Western Division and deputy general manager of our Group. Until now, Mr. Li has obtained 16 industry related utility new-type invention and patent technologies. He was among the "Top 10 Model Technological Innovation Persons of Power" (榜樣的力量十大科技創新人物) in Bayingolin Mongol Autonomous Prefecture ("Ba Prefecture") for 2012 and was named the "Innovation Expert" (創新能手) in Ba Prefecture for 2013. He is currently the pioneer in the oil reservoir operation and well completion engineering technologies of the Group.

Report of the Directors

The board (the "Board") of directors (the "Directors") of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group's operations are substantially conducted through its subsidiaries in the PRC, Kazakhstan and Singapore. The Group is principally engaged in the provision of integrated oilfield services. Analysis of the principal activities of the Group during the year ended 31 December 2014 is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 57 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the Reporting Year (2013: HKD0.064 per share).

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Company's shares were listed on The Stock Exchange on 23 December 2011 (the "Listing"). The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$372.4 million. On 31 December 2014, all of the net proceeds from the Listing was used by the Company in the manner consistent with that in the Prospectus for the purpose of purchase of manufacturing equipment for the oilfield services lines, acquisition of selected companies in the oilfield services or related businesses, enhancing our research and development capabilities, repaying outstanding bank loans and for additional working capital purpose.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the Group's five largest suppliers accounted for 51.17% (2013: 37.63%) of the Group's total purchases.

For the year ended 31 December 2014, the Group's sales to its five largest customers accounted for 87.02% (2013: 94.42%) of the Group's total sales.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2014 are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 14 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the issue of convertible bonds of the Company during the year are set out in note 17 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out on page 60 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB972.7 million (as at 31 December 2013: RMB951.0 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 17 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors:
Mr. Wang Guoqiang *(Chairman and Chief Executive Officer)*
Mr. Wu Dongfang
Mr. Liu Ruoyan
Mr. Jin Shumao

Non-executive Directors:
Mr. Lin Yang
Ms. Chen Chunhua

Independent non-executive Directors:
Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Wan Kah Ming

In accordance with article 108 of the articles of association of the Company (the "Articles of Association"), Mr. Jin Shumao, Ms. Zhang Yujuan and Mr. Wu Kwok Keung Andrew will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Details of the Directors to be re-elected at the forthcoming annual general meeting of the Company are set out in the circular to the Shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 24 to 28 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an 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 each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2014.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors (save for Mr. Jin Shumao) has entered into a service agreement with the Company for a term of three years commencing from 23 December 2014. Mr. Jin Shumao has entered into a service agreement with the Company for a term of three years commencing from 27 March 2013. Each of the non-executive directors and the independent non-executive Directors (save for Mr. Lin Yang, Ms. Chen Chunhua and Ms. Zhang Yujuan) has signed a service agreement with the Company for a term of three years commencing from 23 December 2014. Mr. Lin Yang has signed a service agreement with the Company for a term of three years commencing from 25 September 2012. Ms. Chen Chunhua and Ms. Zhang Yujuan have signed a service agreement with the Company for a term of three years commencing from 27 March 2013.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 22 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS SUBSEQUENT TO THE 2014 INTERIM REPORT

Up to the date of this report, there is no change to information which is required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Wang Guoqiang	Beneficiary of trusts (note 1)	648,484,000 (L)	42.27%
	Beneficial owner (note 3)	1,090,000 (L)	0.07%
Mr. Wu Dongfang	Beneficiary of trusts (note 2)	648,484,000 (L)	42.27%
	Beneficial owner (note 3)	1,090,000 (L)	0.07%
Ms. Chen Chunhua (note 3)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Liu Ruoyan (note 3)	Beneficial owner	2,390,000 (L)	0.16%
Mr. Wan Kah Ming (notes 3 & 4)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Wu Kwok Keung Andrew (note 3)	Beneficial owner	2,000,000 (L)	0.13%
Mr. Jin Shumao (note 3)	Beneficial owner	1,090,000 (L)	0.07%
Ms. Zhang Yujuan (note 3)	Beneficial owner	1,000,000 (L)	0.07%

Notes:

1. Mr. Wang Guoqiang and his family members are the beneficiaries of Truepath Trust, a discretionary trust established by Mr. Wang Guoqiang, and therefore he is deemed to be interested in 489,512,000 shares of the Company held by Red Velvet Holdings Limited via Truepath Limited. Mr. Wang Guoqiang is also deemed to be interested in the shares held by Mr. Wu Dongfang as they are parties acting in concert.
2. Mr. Wu Dongfang and his family members are the beneficiaries of Widescope Trust, a discretionary trust established by Mr. Wu Dongfang, and therefore he is deemed to be interested in 137,372,000 shares of the Company held by Elegant Eagle Investments Limited via Widescope Holdings Limited. (ii) Mr. Wu and his family members are the beneficiaries of True Harmony Trust, a discretionary trust established by Mr. Wu Dongfang, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited. (iii) Mr. Wu Dongfang is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.
3. Mr. Wang Guoqiang, Mr. Wu Dongfang, Ms. Chen Chunhua, Mr. Liu Ruoyan, Mr. Wan Kah Ming, Mr. Wu Kwok Keung Andrew, Mr. Jin Shumao and Ms. Zhang Yujuan hold share options in respect of these shares. Details of the share options are set out below in the section headed "Share Option Scheme".
4. 633,333 shares are jointly held by Mr. Wan Kah Ming and his family member.
5. "L" denotes long position.

Save as disclosed above, as at 31 December 2014, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Widescope Holdings Limited	Beneficial owner	137,372,000 (L)	8.95%
Elegant Eagle Investments Limited (note 1)	Interest of controlled corporation	158,972,000 (L)	10.36%
True Harmony Limited	Beneficial owner	21,600,000 (L)	1.41%
Best Harvest Far East Limited (note 2)	Interest of controlled corporation	21,600,000 (L)	1.41%
Truepath Limited	Beneficial owner	489,512,000 (L)	31.90%
Red Velvet Holdings Limited (note 3)	Interest of controlled corporation	489,512,000 (L)	31.90%
Credit Suisse Trust Limited (note 4)	Trustee	763,182,442 (L)	49.74%
Greenwoods Asset Management Limited (note 5)	Interest of controlled corporation	92,876,000 (L)	6.05%
Greenwoods Assets Management Holdings Limited (note 5)	Interest of controlled corporation	92,876,000 (L)	6.05%
Jiang Jinzhi (note 5)	Interest of controlled corporation	92,876,000 (L)	6.05%
Unique Element Corp. (note 5)	Interest of controlled corporation	92,876,000 (L)	6.05%
Central Huijin Investment Ltd. (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
China Everbright Group Ltd. (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
China Everbright Holdings Company Limited (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
China Everbright Limited (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%

Name of Shareholder	Nature of Interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
China Special Opportunities Fund III, L.P. (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
CSOF III GP Limited (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
Forebright Partners Limited (note 6)	Interest of controlled corporation	91,568,272 (L)	5.97%
UBS AG (note 7)	Beneficial owner	12,734,271 (L)	0.83%
		3,940,000 (S)	0.26%
	Having security interest	60,222,000 (L)	3.92%
	Interest of controlled corporation	6,229,720 (L)	0.41%
		6,137,720 (S)	0.40%
UBS Group AG (note 7)	Having security interest	60,222,000 (L)	3.92%
	Interest of controlled corporation	18,963,991 (L)	1.24%
		10,077,720 (S)	0.66%

Notes:

1. Widescope Holdings Limited and Best Harvest Far East Limited are wholly owned by Elegant Eagle Investments Limited and therefore Elegant Eagle Investments Limited is deemed to be interested in 137,372,000 and 21,600,000 shares of the Company held by these two companies respectively.
2. True Harmony Limited is wholly owned by Best Harvest Far East Limited and therefore Best Harvest Far East Limited is deemed to be interested in 21,600,000 shares of the Company.
3. Truepath Limited is wholly owned by Red Velvet Holdings Limited and therefore Red Velvet Holdings Limited is deemed to be interested in 489,512,000 share of the Company.
4. Credit Suisse Trust Limited is the trustee of the Widescope Trust, the Truepath Trust, the Jumbo Wind Trust and the Windsorland Trust which are discretionary trusts holding the shares in the Company on trust for Elegant Eagle Investments Limited, Red Velvet Holdings Limited, Starshine Investments Limited, respectively. Therefore, Credit Suisse Trust Limited is deemed to be interested in shares of the Company held by True Harmony Limited, Widescope Holdings Limited, Truepath Limited, Jumbo Wind Limited.
5. Such 92,876,000 shares represent the same block of shares.
6. The shares held by Central Huijin Investment Ltd., China Everbright Group Ltd., China Everbright Holdings Company Limited, China Everbright Limited, China Special Opportunities Fund III, L.P., CSOF III GP Limited and Forebright Partners Limited refer to the same parcel of shares of the Company. These shares include 73,125,000 (based on the adjusted conversion price as at 5 June 2014) underlying shares of the Company which may be issued by the Company upon conversion of the convertible bonds in the principal amount of USD15,000,000 issued by the Company to Everbright Inno Investments Limited (a corporation controlled by China Everbright Limited and China Everbright Holdings Company Limited) and CSOF Inno Investments Limited (a corporation controlled by China Special Opportunities Fund III, L.P., CSOF III GP Limited and Forebright Partners Limited).
7. UBS AG is 96.64% owned by UBS Group AG and therefore UBS Group AG is deemed to be interested in 79,185,991 shares of the Company in long position and 10,077,720 shares of the Company in short position.
8. "L" denotes long position and "S" denotes short position.

Save as disclosed above, and as at 31 December 2014, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, during the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of Mr. Wang Guoqiang, Truepath Limited, Red Velvet Holdings Limited, Mr. Wu Dongfang, True Harmony Limited, Best Harvest Far East Limited, Widescope Holdings limited and Elegant Eagle Investments Limited (the "Controlling Shareholders") has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company), (i) carry on, engage, participate or hold any right or interest in or render any services to or provide any financial support to or otherwise be involved in the provision of integrated oilfield services or any other business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business that may be carried on by any members of the Group of the Company from time to time whether as a Shareholder, Director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; or (ii) take any action which interfere with or disrupt or may interfere with or disrupt the Group Business, including but not limited to, solicitation of any of the customers, suppliers or employees of any member of the Group of the Company.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended 31 December 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2014, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2014, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 1 December 2011.

1. Purpose

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

2. Participants

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the shares of the Company to, inter alia, any Directors or any employees (full-time and part-time) of the Company or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

3. Total number of Shares available for issue under the Share Option Scheme

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of Listing (i.e. a total of 133,500,000 shares).

4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

5. Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

6. Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

7. **Time of acceptance and the amount payable on acceptance of the option**

An offer for the grant of options must be accepted within 8 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

8. **Basis of determining the subscription price**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

9. **Life of the Share Option Scheme**

The Share Option Scheme became unconditional on the date of Listing and shall be valid and effective for a period of ten years commencing on 1 December 2011, subject to the early termination provisions contained in the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue on the date of Listing. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

Movements of the share options under the Share Option Scheme during the year ended 31 December 2014 are as follows:

Grantee	Outstanding as at 1 January 2014	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2014	Date of grant	Date of expiry	Exercise price per share
	Number of share options								
Directors									
Mr. Wang Guoqiang	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Wu Dongfang	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Liu Ruoyan	1,300,000 (note 1)	–	–	–	–	1,300,000	29/03/2012	28/03/2022	HK$1.360
	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Mr. Jin Shumao	1,090,000 (note 3)	–	–	–	–	1,090,000	13/06/2013	12/06/2023	HK$4.694
Ms. Chen Chunhua	1,000,000 (note 1)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Mr. Wu Kwok Keung Andrew	1,000,000 (note 1)	–	–	–	–	1,000,000	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (note 3)	–				1,000,000	13/06/2013	12/06/2023	HK$4.694
Ms. Zhang Yujuan	1,000,000 (note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Ms. Wan Kah Ming	666,667 (note 1)	–	333,333	–	–	333,334	29/03/2012	28/03/2022	HK$1.360
	1,000,000 (note 3)	–	–	–	–	1,000,000	13/06/2013	12/06/2023	HK$4.694
Employees (in aggregate)									
	59,090,000 (note 3)	–	–	–	3,420,000	55,670,000	13/06/2013	12/06/2023	HK$4.694
	16,706,667 (note 2)	–	3,484,333	–	1,160,666	12,061,668	20/02/2012	19/02/2022	HK$1.292
	2,200,000 (note 1)	–	200,000	–	–	2,000,000	29/03/2012	28/03/2022	HK$1.360
Total	**90,323,334**	**–**	**4,017,666**	**–**	**4,580,666**	**81,725,002**			

Notes:

1. The closing price of the shares immediately before the date on which the share options granted on 29 March 2012 was HK$1.33. 1/3 of which are exercisable from 29/03/2013 to 28/03/2022; 1/3 of which are exercisable from 29/03/2014 to 28/03/2022; and remaining 1/3 are exercisable from 29/03/2015 to 28/03/2022.
2. The closing price of the shares immediately before the date on which the share options granted on 20 February 2012 was HK$1.27. 1/3 of which are exercisable from 20/02/2013 to 19/02/2022; 1/3 of which are exercisable from 20/02/2014 to 19/02/2022; and remaining 1/3 are exercisable from 20/02/2015 to 19/02/2022.
3. The closing price of shares immediately before the date on which the share options granted on 13 June 2013 was HK$4.57. 1/3 of which are exercisable from 13/06/2014 to 12/06/2023; 1/3 of which are exercisable from 13/06/2015 to 12/06/2023; and remaining 1/3 are exercisable from 13/06/2016 to 12/06/2023.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the year ended 31 December 2014 under the Share Option Scheme.

CHARITABLE DONATIONS

During the year ended 31 December 2014, the Group made charitable and other donations of approximately RMB2.7 million.

AUDIT COMMITTEE

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 51 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2014.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and has been recommended by the Board for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Mr. Wang Guoqiang
Chairman

Hong Kong, 23 March 2015

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Under the existing organizational structure, Mr. Wang Guoqiang is the chairman of the Board and chief executive officer of the Company. The Board believes that Mr. Wang Guoqiang's extensive experience in the oil industry is beneficial to the business prospects and management of the Group. The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. The Board currently comprises four executive Directors (including Mr. Wang Guoqiang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Save as disclosed in this annual report, the Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify the Directors of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this report, the Board comprises four executive Directors, namely Mr. Wang Guoqiang (Chairman), Mr. Wu Dongfang, Mr. Liu Ruoyan and Mr. Jin Shumao, two non-executive Directors, namely Mr. Lin Yang and Ms. Chen Chunhua, and three independent non-executive Directors, namely Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Wan Kah Ming. The biographies of the Directors are set out under the section headed "Directors' and Senior Management's Biographies" of this annual report.

During the year of 2014, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. More than one-third of the members of the Board are independent non-executive Directors, which bring the fairly strong independence elements in its compositions.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to and have disclosed their commitments to the Company in a timely manner.

Continuous Professional Development

For the purposes of better corporate governance, the Company provides to every newly appointed Directors briefings and orientation on their legal and other responsibilities as a Director, the role of the Board and the Company's major areas of business operations and practices. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make informed decisions and to discharge their duties and responsibilities as Directors. All Directors attended a training session on professional knowledge of Oil and Gas field on 18 December 2014.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2014, all Directors participated in various continuous professional development programmes. The Company's external advisors have facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors have received such training. The Company Secretary from time to time updates and provides written training material relating to the roles, functions and duties of a Director and all the aforesaid Directors study such materials and they are asked to submit a signed training record to the Company on an annual basis.

Corporate Governance Report

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals. Under the existing organization structure of the Company, Mr. Wang Guoqiang is the Chairman of the Board and the Chief Executive Officer. The Board believes that Mr. Wang's extensive experience in the oil industry is beneficial to the business and management of the Group, The Board and the senior management, which comprises experienced and high calibre individuals can ensure the balance of power and authority. The Board currently comprises four executive Directors (including Mr. Wang Guoqiang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Appointment and Re-election of Directors

Save for Mr. Jin Shumao, each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 23 December 2014, which is terminable by not less than three months' notice in writing.

Mr. Jin Shumao has entered into a service agreement with the Company for a term of three years commencing from 27 March 2013, which is terminable by not less than three months' notice in writing.

Save for Mr. Lin Yang, Ms. Chen Chunhua and Ms. Zhang Yujuan, each of the non-executive Directors and the independent non-executive Directors has signed a service agreement with the Company for a term of three years commencing from 23 December 2014, which is terminable by not less than three months' notice in writing.

Mr. Lin Yang has signed a service agreement with the Company for a term of three years commencing from 25 September 2012, which is terminable by not less than three months' notice in writing. Ms. Chen Chunhua and Ms. Zhang Yujuan have signed a service agreement with the Company for a term of three years commencing from 27 March 2013, which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with Article 108 of the Articles of Association, all Directors are subject to retirement by rotation at least once every three years, and according to Article 112 of the Article of Association, any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for election by Shareholders at the next following annual general meeting of the Company after appointment.

At the 2014 annual general meeting on 5 June 2014 (the "2014 AGM"), Mr. Wang Guoqiang, Mr. Wu Dongfang and Mr. Liu Ruoyan retired by rotation pursuant to article 108 of the Articles and Association. All of them were re-elected as Directors. Please refer to the Report of the Directors for details of the members of the Board who will retire from office and offer for re-election at the 2015 annual general meeting pursuant to the Articles of Association.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles and Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice have been given to the Directors in general. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meetings are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the year ended 31 December 2014, 6 Board meetings and one general meetings (2014 AGM) were held and the attendance of the individual Directors at these meetings is set out in the table below:

	Attended/Eligible to attend	
Directors	**Board Meeting**	**Annual General Meeting**
Mr. Wang Guoqiang	6/6	1/1
Mr. Wu Dongfang	6/6	1/1
Mr. Liu Ruoyan	6/6	1/1
Mr. Jin Shumao	6/6	1/1
Mr. Lin Yang	6/6	1/1
Ms. Chen Chunhua	6/6	1/1
Ms. Zhang Yujuan	6/6	1/1
Mr. Wu Kwok Keung Andrew	6/6	1/1
Mr. Wan Kah Ming	6/6	1/1

During the year, the Chairman of the Company held one meeting with the non-executive Directors (including the independent non-executive Directors) without the other executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2014.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Corporate Governance Report

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

During the year, the Company has updated the whistleblowing system and anti-corruption policy in accordance with the Listing Rules as guideline for its Directors and employees.

BOARD COMMITTEES

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, namely Mr. Wang Guoqiang (Chairman), Ms. Zhang Yujuan and Mr. Wu Kwok Keung Andrew, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes

- To identify suitable candidates for appointment as Directors

- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors

- To assess the independence of independent non-executive Directors

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2014, two meetings of the Nomination Committee were held on 26 March 2014 and 18 December 2014 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Wang Guoqiang	2/2
Ms. Zhang Yujuan	2/2
Mr. Wu Kwok Keung Andrew	2/2

The Nomination Committee assessed the independence of independent non-executive Directors and considered the re-election of the retired Directors.

The Board has adopted the Board Diversity Policy on 27 August 2013 and reviewed the structure, size and composition of the Board according to the Board Diversity Policy on 18 December 2014. All members of Directors have made contribution to their respective areas. All of the four executive Directors are professional and fellow members in the Oil and Gas industry, who have incisive understanding to the Oil and Gas industry and have extensive experience in the specialized knowledge and corporate management. The five non-executive Directors and independent non-executive Directors are experts in the areas of corporate operation, investment and financing management as well as law and financial management.

Corporate Governance Report

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Ms. Zhang Yujuan (Chairman), Mr. Wang Guoqiang and Mr. Wu Kwok Keung Andrew, the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management, so as to determine the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2014, two meetings of the Remuneration Committee were held on 26 March 2014 and 25 August 2014 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Ms. Zhang Yujuan	2/2
Mr. Wang Guoqiang	2/2
Mr. Wu Kwok Keung Andrew	2/2

The Remuneration Committee discussed and reviewed the remuneration policy for directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive Directors and senior management. To avoid potential conflict of interest, members have abstained from voting on resolutions which he/she or his/her associates have a material interest.

Details of the remuneration by band of the 7 members of the senior management of our Company, whose biographies are set out on pages 24 to 28 of this annual report, for the year ended 31 December 2014 are set out below:

Remuneration band (RMB)	Number of individual
400,000–1,000,000	4
1,000,001–1,500,000	1
1,500,001–2,000,000	2

Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Mr. Wu Kwok Keung Andrew (Chairman), Ms. Chen Chunhua and Mr. Wan Kah Ming. The majority of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board
- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures

During the year ended 31 December 2014, three meetings of the Audit Committee were held on 26 March 2014, 25 August 2014 and 18 December 2014 respectively and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Wu Kwok Keung Andrew	3/3
Ms. Chen Chunhua	3/3
Mr. Wan Kah Ming	3/3

The Audit Committee reviewed the audit plan, the financial reporting system, compliance procedures, internal control (including the adequacy of resources of the Company's accounting and financial reporting functions, staff qualifications and experience, and the adequacy of training program and budget), risk management systems and processes and the re-appointment of the external auditor. They also reviewed interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The Audit Committee reviewed the whistleblowing system and recommended on its enhancement and related staff training. The written terms of reference is available on the websites of the Company and the Stock Exchange.

The Audit Committee met with the external auditor, in the absence of management, and discussed matters relating to audit and internal control on 26 March 2014, 25 August 2014 and 18 December 2014.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the year ended 31 December 2014, the Company provides all members of the Board with monthly updates on the Company's performance, position and prospects.

INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard Shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis.

The Board has conducted a review of the effectiveness of the internal control system of the Company and considered the internal control system to be effective and adequate. A compliance committee had been established for monitoring the inside information of the Group and making related disclosure as necessary and appropriate.

AUDITOR'S REMUNERATION

Annual audit fees of the Group for the year ended 31 December 2014 are RMB4.6 million.

COMPANY SECRETARY

The Company engages Ms. Mandy Mok Ming Wai, director of KCS Hong Kong Limited, (a company secretarial service provider) as its company secretary. Its primary corporate contact person at the Company is Mr. Sun Siu Kong, the Chief financial officer of the Company.

During the year ended 31 December 2014, Ms. Mok has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting (the "AGM") of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company, the chairmen of the Board Committees and the external auditor of the Company attend AGMs to answer Shareholders' questions.

A shareholders' communication policy was adopted pursuant to CG code which aims at establishing a two-way relationship and communication between the Company and its Shareholders. To promote effective communication, the Company maintains a website at www.spt.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each issue at Shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting. At the 2014 AGM, all resolutions were passed by poll by the Shareholders.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Company Law and the Articles of Association. As regards proposing a person for election as a director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to IR@spt.cn.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2014, there is no significant change in constitutional documents of the Company.

Hong Kong, 23 March 2015

Independent Auditor's Report

羅兵咸永道

To the shareholders of SPT Energy Group Inc.
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of SPT Energy Group Inc. ("the Company") and its subsidiaries (together, the "Group") set out on pages 54 to 120, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 disclosure 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.

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羅兵咸永道

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 2014, 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, 23 March 2015

Consolidated Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*6*	**603,593**	372,721
Land use right	*7*	**22,724**	23,206
Goodwill	*32*	**781**	781
Intangible assets	*8*	**65,453**	34,860
Deferred income tax assets	*20*	**89,143**	70,877
Available-for-sales financial assets		**–**	1,680
Prepayments	*12*	**50,584**	40,147
		832,278	544,272
Current assets			
Inventories	*10*	**550,054**	484,947
Trade and note receivables	*11*	**1,396,110**	1,255,807
Prepayments and other receivables	*12*	**201,414**	106,376
Restricted bank deposits	*13*	**8,313**	24,840
Cash and cash equivalents	*13*	**595,028**	635,954
		2,750,919	2,507,924
Total assets		**3,583,197**	3,052,196
Equity			
Equity attributable to the Company's equity owners			
Ordinary shares	*14*	**974**	972
Share premium	*15*		
– Proposed final dividend	*27*	**–**	76,520
– Others		**591,251**	586,706
Other reserves	*16*	**282,351**	242,483
Currency translation differences		**(196,955)**	(109,577)
Retained earnings	*27*	**1,096,695**	986,956
		1,774,316	1,784,060
Non-controlling interests		**147,738**	47,134
Total equity		**1,922,054**	1,831,194

Consolidated Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Liabilities			
Non-Current liabilities			
Borrowings	*17*	**58,730**	84,772
Deferred income tax liabilities	*20*	**25,791**	22,089
		84,521	106,861
Current liabilities			
Borrowings	*17*	**373,585**	142,000
Trade payables	*18*	**849,080**	683,680
Accruals and other payables	*19*	**216,417**	185,097
Current income tax liabilities		**51,400**	55,351
Current portion of long-term borrowings	*17*	**86,140**	48,013
		1,576,622	1,114,141
Total liabilities		**1,661,143**	1,221,002
Total equity and liabilities		**3,583,197**	3,052,196
Net current assets		**1,174,297**	1,393,783
Total assets less current liabilities		**2,006,575**	1,938,055

The notes on pages 62 to 120 are an integral part of these financial statements.

The financial statements on pages 54 to 61 were approved by the Board of Directors on 23 March 2015 and were signed on its behalf.

Wang Guoqiang
Director

Liu Ruoyan
Director

Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Interests in subsidiaries	9	**1,117,570**	925,269
Current assets			
Prepayments and other receivables		**224**	–
Cash and cash equivalents	13	**46,442**	133,283
Total assets		**1,164,236**	1,058,552
Equity			
Ordinary shares	14	**974**	972
Share premium	15		
– Proposed final dividend	27	**–**	76,520
– Others		**591,251**	586,706
Other reserves	16	**381,455**	348,024
Currency translation differences		**(20,094)**	(22,994)
Accumulated losses		**(27,417)**	(4,839)
Total equity		**926,169**	984,389
Liabilities			
Non-Current liabilities			
Borrowings	17	**–**	72,456
Current liabilities			
Borrowings	17	**152,975**	–
Accruals and other payables		**1,427**	1,707
Current portion of long-term borrowings	17	**83,665**	–
Total liabilities		**238,067**	74,163
Total equity and liabilities		**1,164,236**	1,058,552
Net current assets		**(191,401)**	131,576
Total assets less current liabilities		**926,169**	1,056,845

The notes on pages 62 to 120 are an integral part of these financial statements.

The financial statements on pages 54 to 61 were approved by the Board of Directors on 23 March 2015 and were signed on its behalf.

Wang Guoqiang
Director

Liu Ruoyan
Director

Consolidated Income Statement

	Note	Year ended 31 December **2014** ***RMB'000***	 2013 *RMB'000*
Revenue	*5*	**2,186,958**	2,402,767
Other (losses)/gains, net	*21*	**(17,960)**	12,608
Operating costs			
Material costs		**(564,521)**	(539,764)
Employee benefit expenses	*22*	**(617,065)**	(544,254)
Operating lease expenses		**(134,252)**	(172,818)
Transportation costs		**(75,958)**	(77,809)
Depreciation and amortisation		**(82,744)**	(70,706)
Technical service expenses		**(261,246)**	(322,500)
Impairment reverse/(losses) of assets		**6,064**	(25,844)
Others		**(235,091)**	(247,552)
		(1,964,813)	(2,001,247)
Operating profit	*23*	**204,185**	414,128
Finance income	*24*	**2,833**	7,384
Finance costs	*24*	**(46,653)**	(32,022)
Finance costs, net		**(43,820)**	(24,638)
Profit before income tax		**160,365**	389,490
Income tax expense	*25*	**(46,098)**	(81,093)
Profit for the year		**114,267**	308,397
Attributable to:			
Equity owners of the Company		**116,176**	300,377
Non-controlling interests		**(1,909)**	8,020
		114,267	308,397
Dividends proposed after balance sheet date	*27*	**–**	76,520
Earnings per share for the profit attributable to the equity owners of the Company			
Basic earnings per share	*28*	**0.076**	0.197
Diluted earnings per share	*28*	**0.075**	0.194

The notes on pages 62 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Profit for the year		**114,267**	308,397
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		**2,898**	(21,776)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(90,134)**	(50,553)
Total comprehensive income for the year		**27,031**	236,068
Attributable to:			
Equity owners of the Company		**28,798**	227,854
Non-controlling interests		**(1,767)**	8,214
		27,031	236,068

The notes on pages 62 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company							
					Currency			Non-	
		Ordinary	Share	Other	translation	Retained		controlling	Total
		shares	premium	reserves	differences	earnings	Total	interests	equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2013		968	715,963	211,889	(37,054)	689,881	1,581,647	46,527	1,628,174
Comprehensive income									
Profit for the year		–	–	–	–	300,377	300,377	8,020	308,397
Currency translation differences		–	–	–	(72,523)	–	(72,523)	194	(72,329)
Total comprehensive income		–	–	–	(72,523)	300,377	227,854	8,214	236,068
Transactions with owners									
Share options exercised	*14&15*	4	8,421	(2,805)	–	–	5,620	–	5,620
2012 final dividend declared in June 2013	*15&27*	–	(61,158)	–	–	–	(61,158)	–	(61,158)
Share-based payments	*22*	–	–	34,074	–	–	34,074	–	34,074
Transfer to statutory reserves	*16*	–	–	3,302	–	(3,302)	–	–	–
Acquisition of non-controlling interests of a subsidiary	*32*	–	–	(3,977)	–	–	(3,977)	(7,607)	(11,584)
Total transactions with owners		4	(52,737)	30,594	–	(3,302)	(25,441)	(7,607)	(33,048)
Balance as at 31 December 2013		972	663,226	242,483	(109,577)	986,956	1,784,060	47,134	1,831,194

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company							
	Note	Ordinary shares *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2014		**972**	**663,226**	**242,483**	**(109,577)**	**986,956**	**1,784,060**	**47,134**	**1,831,194**
Comprehensive income									
Profit for the year		**-**	**-**	**-**	**-**	**116,176**	**116,176**	**(1,909)**	**114,267**
Currency translation differences		**-**	**-**	**-**	**(87,378)**	**-**	**(87,378)**	**142**	**(87,236)**
Total comprehensive income		**-**	**-**	**-**	**(87,378)**	**116,176**	**28,798**	**(1,767)**	**27,031**
Transactions with owners									
Share options exercised	*14&15*	**2**	**5,930**	**(1,792)**	**-**	**-**	**4,140**	**-**	**4,140**
2013 final dividend declared in June 2014	*15&27*	**-**	**(77,905)**	**-**	**-**	**-**	**(77,905)**	**-**	**(77,905)**
Share-based payments	*22*	**-**	**-**	**35,223**	**-**	**-**	**35,223**	**-**	**35,223**
Transfer to statutory reserves	*16*	**-**	**-**	**6,437**	**-**	**(6,437)**	**-**	**-**	**-**
Capital injection of non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**102,371**	**102,371**
Total transactions with owners		**2**	**(71,975)**	**39,868**	**-**	**(6,437)**	**(38,542)**	**102,371**	**63,829**
Balance as at 31 December 2014		**974**	**591,251**	**282,351**	**(196,955)**	**1,096,695**	**1,774,316**	**147,738**	**1,922,054**

The notes on pages 62 to 120 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December **2014** ***RMB'000***	 2013 *RMB'000*
Cash flows from operating activities			
Net cash inflows from operations	*29*	**9,777**	334,551
Interest paid		**(35,956)**	(18,927)
Interest received		**2,833**	7,384
Income tax paid		**(67,417)**	(69,606)
Net cash generated (used in)/from operating activities		**(90,763)**	253,402
Cash flows from investing activities			
Purchases of property, plant and equipment		**(172,795)**	(134,104)
Proceeds from disposal of property, plant and equipment	*29*	**4,089**	8,977
Purchases of available-for-sale financial assets		**–**	(1,680)
Proceeds from disposal of available-for-sale financial assets		**1,680**	–
Payments for intangible assets		**(39,101)**	(28,080)
Net cash used in investing activities		**(206,127)**	(154,887)
Cash flows from financing activities			
Proceeds from bank borrowings		**425,763**	182,250
Repayments of bank borrowings		**(188,757)**	(231,264)
Dividends paid to shareholders		**(77,905)**	(61,158)
Proceeds from share options exercised		**4,140**	5,620
Acquisition of non-controlling interests of a subsidiary	*32*	**–**	(11,584)
Capital injection from non-controling interests		**102,371**	–
Net cash generated from/(used in) financing activities		**265,612**	(116,136)
Net decrease in cash and cash equivalents		**(31,278)**	(17,621)
Cash and cash equivalents at beginning of the year		**635,954**	658,713
Exchange losses on cash and cash equivalents		**(9,648)**	(5,138)
Cash and cash equivalents at end of the year		**595,028**	635,954

The notes on pages 62 to 120 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in provision of oilfield services including drilling, well completion, reservoir, with ancillary activities in trading and manufacturing of oilfield services related products mainly in the People's Republic of China (the "PRC"), Republic of Kazakhstan ("Kazakhstan"), Singapore and Canada. The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Wu Dongfang (吳東方) (collectively referred to as the "Controlling Shareholders").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of the financial statements in conformity with IFRS 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)

2.1.2 Changes in accounting policy and disclosures

(a) *Adoption of new standards and amendments to standards*

The Group has adopted the following new and revised standards and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2014:

IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Investment Entities

The adoption of above new standards and amendments to standards does not have any significant financial effect on these consolidated financial statements.

(b) *Standards and amendments which are not yet effective*

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods, but have not been early adopted by the Group.

Annual Improvements Project	Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle[(1)]
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[(2)]
IFRS 15	Revenue from Contracts with Customers[(3)]
IFRS 9	Financial Instruments[(4)]

(1) Effective for the accounting period beginning on 1 July 2014
(2) Effective for the accounting period beginning on 1 January 2016
(3) Effective for the accounting period beginning on 1 January 2017
(4) Effective for the accounting period beginning on 1 January 2018

The Group will apply the above new/revised standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new/revised standards and amendments to standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Changes in accounting policy and disclosures (continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation

2.2.1 Subsidiaries

A subsidiary is an entity (including 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business Combination

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 acquire 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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

2.2.1 Subsidiaries (continued)

(a) Business Combination (continued)

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 re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

2.2.2 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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 statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management that makes strategic decisions.

2.4 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 Company's functional currency is United States Dollar ("USD") and the consolidated financial statements are presented in RMB which is the Group's presentation currency. The reporting currency differs from Company's functional currency as management rely on management accounts prepared in RMB for review of historical performance and decision making.

(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 re-measured. 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income or costs, net". All other foreign exchange gains and losses are presented in the income statement within "Other gains/(losses), net."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

- income and expenses for each income statement 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 rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income as a separate component in equity.

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. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

Construction-in-progress is stated at cost, including the costs of construction, machinery and other expenditures for the purpose of preparing the construction-in-progress for its intended use and borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction-in-progress is not depreciated until the asset is completed and ready for its intended use.

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 costs are charged to the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life
Buildings	10 to 20 years
Machinery and equipment	5 to 10 years
Motor vehicles	5 to 7 years
Furniture, fixtures and others	3 to 10 years

The assets' residual values and useful lives are reviewed, 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 2.9).

Gains/(losses) on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses, net' in the income statement.

2.6 Land use right

Land use right is stated at prepaid lease cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the period of the lease. The carrying amount of the land use right is written down to its recoverable amount if its carrying amount exceeds its estimated recoverable amount (Note 2.9).

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount 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 operating 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(a) *Computer softwares*

Acquired computer software is 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, ranging from 3 to 5 years.

(b) *Technology*

Technology assets were generated from the Group's research and development activities, only development costs that are directly attributable to the design, development and application of technology are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the patents so that it will be available for use;
- Management intends to complete the patents and use or sell it;
- There is an ability to use or sell the patents;
- It can be demonstrated how the patents will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patents are available; and
- The expenditure attributable to the patents during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patent include material costs, patent development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 of disposal 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.

2.10 Financial assets

(a) Classification, recognition and measurement

The Group's financial assets include loans and receivables and available-for-sale financial assets. The classification depends on the purposes 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 maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise "cash and cash equivalents", "restricted bank deposits", "trade and note receivables" and "other receivables" in the balance sheet. Loans and receivables are recognised initially at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are recognised initially at fair value plus any transaction costs and subsequently carried at fair value. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "other gains/(losses)".

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(b) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting date whether there is objective evidence that a loan and receivable 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 loan and receivable's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(b) Impairment of financial assets (continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that available-for-sale financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the accumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.11 Inventories

Inventories primarily consist of materials and work-in-progress for use in the provision of oilfield services and finished goods used for sales. 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 the estimated costs to completion and the applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 amounts (Note 2.10).

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Ordinary shares

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.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 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 income statement 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 the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.18 Compound financial instruments

Compound financial instruments issued by the Group are convertible bonds that can be converted to ordinary shares at the option of the bond holders, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also 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's subsidiaries 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 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, 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. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 tax 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(a) *Pension obligations*

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Employees of entities located in countries other than PRC are covered by other defined-contribution pension plans sponsored by respective governments.

(b) *Housing benefits*

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan, under which the entity 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);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(d) *Share-based compensation (continued)*

Non-market performance and service 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.

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 performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, 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 ordinary shares (nominal value) and share premium. The corresponding amount accounted for as "Other reserve" when recognising the share-based compensation are reclassified to share premium as well.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.21 Revenue recognition

Revenue comprises 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, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity 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 measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Provision of services*

The Group provides well drilling services, well completion services and reservoir services to its customers. Revenue is recognised using the percentage of completion method, however, should the services be completed within a relatively short period (usually one month), revenue is recognised upon completion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

(b) Sales of goods

Revenue associated with sales of pressure gauges, packers and other goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assumed.

(c) Lease income

Operating lease income is recognised over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contract terms are within one year.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Operating lease

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 income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.23 Dividend distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Earnings per share

Basic earnings per share is determined by dividing the profit or loss attributable to equity owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

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 and adjusting the profit or loss attributable to equity owners of the Company accordingly for related amounts. The effect of potentially dilutive ordinary shares are included only if they are dilutive.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

On 31 December 2014, if RMB, KZT, SGD, CAD and IDR had weakened/strengthened by certain percentage against the USD with all other variables held constant the assumed changes of the exchange rates would have the following impact on the Group's foreign exchange gains/losses accounts.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Profit before income tax increase/(decrease) during the financial year:

	2014 **RMB'000**	2013 RMB'000
RMB against USD		
– Weakened 5%	**(8,072)**	(10,656)
– Strengthened 5%	**8,072**	10,656
KZT against USD		
– Weakened 5%	**(1,675)**	(3,857)
– Strengthened 5%	**1,675**	3,857
SGD against USD		
– Weakened 5%	**800**	544
– Strengthened 5%	**(800)**	(544)
CAD against USD		
– Weakened 5%	**5,285**	3,472
– Strengthened 5%	**(5,285)**	(3,472)
IDR against USD		
– Weakened 5%	**(3,545)**	(2,969)
– Strengthened 5%	**3,545**	2,969

(ii) Cash flow and fair value interest rate risk

Other than cash and cash equivalents, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's short-term borrowings, majority of long-term bank borrowings and convertible bonds were obtained at fixed rates and expose the Group to fair value interest rate risk, while part of the long-term bank borrowings were obtained at floating rate and expose the Group to cash flow interest rate risk. The Group does not expect significant impact due to the changes in interest rate.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on group basis. The carrying amounts of bank deposits, trade receivables and other receivables except prepayments included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has concentrations of credit risk on trade receivables. China National Petroleum Corporation ("CNPC"), a PRC state owned enterprise with high credit rating, along with its related entities, represented approximately 71.3% and 83.4% of the revenue of the Group for the years ended 31 December 2014 and 2013 respectively. The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's credit sales are only made to customers with appropriate credit history or their related parties who have no default history. Most of the credit period is six months. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

As at 31 December 2014 and 2013, cash and cash equivalents and restricted bank deposits, were deposited in the major financial institutions in the PRC, Kazakhstan, Canada, Hong Kong and Singapore, which the directors of the Company believe are of good credit quality. The table below shows the bank deposit balances as at 31 December 2014 and 2013:

	2014	2013
	RMB'000	*RMB'000*
PRC		
– State owned listed banks	**366,758**	295,327
– Other listed banks	**102,273**	202,755
	469,031	498,082
Kazakhstan government owned banks	**62,695**	88,268
Hong Kong listed banks	**2,845**	3,521
Singapore listed banks	**31,408**	38,143
Canada listed banks	**30,532**	27,060
Other listed banks	**6,294**	4,743
Others	**536**	977
Total	**603,341**	660,794

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

Cash flow forecasting is performed by Group finance department who monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, and legal requirements, for example, currency transferring restrictions.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group level	**Less than 1 year** *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*
As at 31 December 2014				
Borrowings	**473,920**	**55,776**	**2,112**	**4,818**
Trade payables	**849,080**	**–**	**–**	**–**
Accruals and other payables	**44,402**	**–**	**–**	**–**
As at 31 December 2013				
Borrowings	154,677	122,602	3,913	6,153
Trade payables	683,680	–	–	–
Accruals and other payables	21,376	–	–	–

Company level	**Less than 1 year** *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*
As at 31 December 2014				
Borrowings	**239,636**	**–**	**–**	**–**
Accruals and other payables	**1,427**	**–**	**–**	**–**
As at 31 December 2013				
Borrowings	2,744	74,285	–	–
Accruals and other payables	1,707	–	–	–

The financial guarantee contracts were signed by the Company for the Group's subsidiaries.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost or capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio and normally maintain gearing ratio below 50%. This ratio is calculated as total borrowings divided by total equity. Total borrowings include 'borrowings' and 'current portion of long-term borrowings' as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2014 and 2013 are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Total borrowings	**518,455**	274,785
Total equity	**1,922,054**	1,831,194
Gearing ratio	**27.0%**	15.0%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables, financial assets; and financial liabilities including trade and other payables and borrowings except for the fixed rate borrowings, approximate their fair values.

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. 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) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

(c) Impairment of inventories

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.

5. SEGMENT INFORMATION

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

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

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

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

(a) Revenue

Revenue recognised during the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
	RMB'000	*RMB'000*
Drilling	**817,264**	953,778
Well completion	**565,802**	649,730
Reservoir	**803,892**	799,259
	2,186,958	2,402,767

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

Revenue amounting to RMB1,558,813,000 (2013: RMB2,004,124,000) are derived from CNPC and its related entities. The revenue is attributable to drilling, well completion and reservoir segments.

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the years ended 31 December 2014 and 2013 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Total *RMB'000*
Year ended 31 December 2014				
Revenue from external customers	**817,264**	**565,802**	**803,892**	**2,186,958**
EBITDA	**154,575**	**107,110**	**210,201**	**471,886**
Total assets	**1,132,380**	**831,098**	**765,337**	**2,728,815**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**63,344**	**122,390**	**55,093**	**240,827**
Year ended 31 December 2013				
Revenue from external customers	953,778	649,730	799,259	2,402,767
EBITDA	247,346	166,357	244,901	658,604
Total assets	985,114	543,346	607,247	2,135,707
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	28,465	20,095	6,934	55,494

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

	2014 **RMB'000**	2013 RMB'000
EBITDA for reportable segments	**471,886**	658,604
Unallocated expenses		
– Share-based payments	**(35,223)**	(34,074)
– Other (losses)/gains, net	**(17,960)**	12,608
– Unallocated overhead expenses	**(131,774)**	(152,304)
	(184,957)	(173,770)
	286,929	484,834
Depreciation and amortisation	**(82,744)**	(70,706)
Finance costs	**(46,653)**	(32,022)
Finance income	**2,833**	7,384
Profit before tax	**160,365**	389,490

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

	2014 **RMB'000**	2013 RMB'000
Segment assets for reportable segments	**2,728,815**	2,135,707
Unallocated assets		
– Deferred income tax assets	**89,143**	70,877
– Unallocated inventories	**35,017**	66,573
– Unallocated prepayment and other receivables	**126,881**	116,565
– Restricted bank deposits	**8,313**	24,840
– Available-for-sale financial assets	**–**	1,680
– Cash and cash equivalents	**595,028**	635,954
	854,382	916,489
Total assets per balance sheet	**3,583,197**	3,052,196

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

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

	2014	2013
	RMB'000	*RMB'000*
PRC	**938,343**	1,036,895
Kazakhstan	**911,408**	987,983
Canada	**84,117**	71,170
Singapore	**238,712**	288,890
Others	**14,378**	17,829
	2,186,958	2,402,767

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

	2014	2013
	RMB'000	*RMB'000*
PRC	**451,147**	255,051
Kazakhstan	**199,938**	123,523
Canada	**23,771**	13,027
Singapore	**42,133**	55,126
Others	**26,146**	24,988
	743,135	471,715

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013						
Opening net book value	49,635	164,157	20,173	33,807	9,725	277,497
Additions	4,261	159,759	9,169	10,732	8,333	192,254
Depreciation charge	(6,507)	(43,844)	(7,224)	(10,373)	–	(67,948)
Disposals	(907)	(7,106)	(598)	–	–	(8,611)
Transfer from CIP	5,441	–	–	–	(5,441)	–
Exchange differences	(1,045)	(17,498)	(577)	(1,351)	–	(20,471)
Closing net book value	50,878	255,468	20,943	32,815	12,617	372,721
At 31 December 2013						
Cost	73,279	407,784	59,701	82,284	12,617	635,665
Accumulated depreciation	(22,401)	(152,316)	(38,758)	(49,469)	–	(262,944)
Net book value	50,878	255,468	20,943	32,815	12,617	372,721
Year ended 31 December 2014						
Opening net book value	**50,878**	**255,468**	**20,943**	**32,815**	**12,617**	**372,721**
Additions	**5,058**	**114,676**	**22,490**	**24,991**	**164,201**	**331,416**
Depreciation charge	**(6,459)**	**(44,762)**	**(10,852)**	**(12,485)**	**–**	**(74,558)**
Disposals	**(7)**	**(3,465)**	**(178)**	**(396)**	**–**	**(4,046)**
Transfer from CIP	**6,551**	**–**	**–**	**1,328**	**(7,879)**	**–**
Exchange differences	**(3,561)**	**(13,342)**	**(1,465)**	**(3,572)**	**–**	**(21,940)**
Closing net book value	**52,460**	**308,575**	**30,938**	**42,681**	**168,939**	**603,593**
At 31 December 2014						
Cost	**79,247**	**502,046**	**77,001**	**101,486**	**168,939**	**928,719**
Accumulated depreciation	**(26,787)**	**(193,471)**	**(46,063)**	**(58,805)**	**–**	**(325,126)**
Net book value	**52,460**	**308,575**	**30,938**	**42,681**	**168,939**	**603,593**

For the year ended 31 December 2014, depreciation expenses amounting to RMB74,558,000 (2013: RMB67,948,000) has been charged in operating costs.

As at 31 December 2014, certain property, plant and equipment amounting to RMB1,444,000 have been pledged for the Group's bank borrowings (2013: RMB2,643,000) (Note 17).

Notes to the Consolidated Financial Statements

7. LAND USE RIGHT

The Group's land use right represents operating lease prepayments for the leasehold land in the PRC over 50 years. The details are as follows:

	RMB'000
Year ended 31 December 2013	
Opening net book value	23,689
Amortisation charge	(483)
Closing net book value	23,206
At 31 December 2013	
Cost	24,131
Accumulated amortisation	(925)
Net book value	23,206
Year ended 31 December 2014	
Opening net book value	**23,206**
Amortisation charge	**(482)**
Closing net book value	**22,724**
At 31 December 2014	
Cost	**24,131**
Accumulated amortisation	**(1,407)**
Net book value	**22,724**

As at 31 December 2014, certain land use right amounting to RMB14,000,000 have been pledged for the Group's bank borrowings (2013: Nil) (Note 17).

All land use right are of remaining period 48 years.

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS

Intangible assets comprise technology and computer software. The details are as follows:

	Technology *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Opening net book value	8,902	153	9,055
Additions	27,710	370	28,080
Amortisation charge	(1,953)	(322)	(2,275)
Closing net book value	34,659	201	34,860
At 31 December 2013			
Cost	36,612	2,426	39,038
Accumulated amortisation	(1,953)	(2,225)	(4,178)
Net book value	34,659	201	34,860
Year ended 31 December 2014			
Opening net book value	**34,659**	**201**	**34,860**
Additions	**37,782**	**515**	**38,297**
Amortisation charge	**(7,601)**	**(103)**	**(7,704)**
Disposal	**–**	**–**	**–**
Closing net book value	**64,840**	**613**	**65,453**
At 31 December 2014			
Cost	**74,394**	**2,941**	**77,335**
Accumulated amortisation	**(9,554)**	**(2,328)**	**(11,882)**
Net book value	**64,840**	**613**	**65,453**

9. INTERESTS IN SUBSIDIARIES

Company

	2014 RMB'000	2013 RMB'000
Investment in subsidiaries (a)	**141,660**	106,437
Loans to subsidiaries (b)	**975,910**	818,832
	1,117,570	925,269

Note

(a) Set forth below is a list of the principal subsidiaries of the Company as at 31 December 2014:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of Issued share capital	Interest Held
北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.)	PRC, Limited liability entity	Oil field services, PRC	RMB10,000,000	95%
北京華油先鋒石油裝備技術有限公司 (Pioneer Sinopetroleum Equipment Inc.)	PRC, Limited liability entity	Manufacturing, PRC	RMB10,000,000	95%
北京華油油氣工程科技有限公司 (Sinopetroleum Engineering Technology Co., Ltd.)	PRC, Limited liability entity	Trading, PRC	RMB15,600,000	90.3%
廊坊華油能源石油設備有限公司 (Langfang SPT Energy Limited)	PRC, Limited liability entity	Trading, PRC	USD1,000,000	100%
諾斯石油工具(天津)有限公司 (North Resource Oil Tools Limited)	PRC, Limited liability entity	Manufacturing, PRC	RMB226,411,812	99.67%
新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co.,Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB43,220,000	95%
新疆華油能源工程服務有限公司 (Xinjiang SPT Engineering Service Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB10,000,000	95%
德威興業(北京)油氣技術服務有限公司 (De Wei Oil & Gas technologies Services Co., Ltd.)	PRC, Limited liability entity	Oil field services and trading, PRC	RMB10,000,000	70%
新疆華油新海石油工程技術有限公司 (Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB36,000,000	95%

9. INTERESTS IN SUBSIDIARIES (CONTINUED)

Company (continued)

Notes (continued)

(a) Set forth below is a list of the principal subsidiaries of the Company as at 31 December 2014 (continued):

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of Issued share capital	Interest Held
M-Tech service Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT87,200	100%
CNEC Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT150,000	100%
FD Services Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT110,000	100%
OS Services (Kazakhstan) Limited Liability Partnership	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%
Dowell LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT500,000	70%
MGD Services LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%
HY Oil Technology Service LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT151,800	100%
NE TKM Hyzmat Limited	Turkmenistan, Limited liability entity	Oil field services, Turkmenistan	Manats142,500	100%
DFW Oil Mechanical Services LLC	Uzbekistan, Limited liability entity	Oil field services, Uzbekistan	USD10,000	100%
Pioneer Petrotech Services Inc.	Canada, Limited liability entity	Manufacturing, Canada	CAD15	100%
Enecal Canada Corporation	Canada, Limited liability entity	Trading, Canada	CAD86	100%
SPT Energy (Hong Kong) Ltd.	Hong Kong, Limited liability entity	Investment holding, Hong Kong	HKD1,000,000	100%
SPT Oil Field Service Inc. Limited	Hong Kong, Limited liability entity	Trading, Hong Kong	HKD100,000	100%
PT. Enecal Indonesia	Indonesia, Limited liability entity	Oil field services, Indonesia	USD1,000,000	100%

9. INTERESTS IN SUBSIDIARIES (CONTINUED)

Company (continued)

Notes (continued)

(a) Set forth below is a list of the principal subsidiaries of the Company as at 31 December 2014 (continued):

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of Issued share capital	Interest Held
*Enecal PTE. Limited	Singapore, Limited liability entity	Trading, Singapore	SGD3,550,000*	63.2%
AWP Precision Engineering Pte. Ltd.	Singapore, Limited liability entity	Manufacturing, Singapore	SGD360,000	100%
Chongqing Huayou Energy Techonology Services Co. Ltd.	PRC, Limited liability entity	Oil field services, PRC	RMB10,000,000	100%
Shanxi Huayou Energy Techonology Services Co. Ltd.	PRC, Limited liability entity	Oil field services, PRC	RMB4,000,000	100%
Xinjiang HDTD Oilfield Services Co., Ltd.	PRC, Limited liability entity	Oil field services, PRC	RMB208,920,510	51%

* The issued share capital includes preferred shares amounting to SGD 3,200,000 (equivalent to RMB16,302,000) (2013: SGD 3,200,000, equivalent to RMB16,302,000) contributed by the Controlling Shareholders and other two shareholders ("Preference Shareholders") of the Company. The Preference Shareholders have neither dividends rights (unless the distributable profits of Enecal Pte. Limited available for distribution as dividends for a financial year exceed SGD 10 billion) nor voting rights (save and except for matters specifically set out in the Singapore Companies Act which principally including (i) any resolution which varies the rights attached to the preference shares; or (ii) any resolution for the winding up of the company). Hence, the Group consolidated 100% profit of Enecal Pte. Limited while the amount received for the preferred shares are reflected as "Non-controlling interests".

(b) Loans to subsidiaries reflect part of the Company's net investment in subsidiaries. These loans to subsidiaries are unsecured, interest-free and its repayment is neither planned nor likely to occur in the foreseeable future.

10. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**450,326**	447,065
Work-in-progress	**117,548**	63,727
Finished goods	**9,590**	1,972
	577,464	512,764
Less: Provision for impairment of raw materials	**(27,410)**	(27,817)
	550,054	484,947

10. INVENTORIES (CONTINUED)

The cost of inventories charged in "operating costs" amounted to RMB564,521,000 (2013: RMB539,764,000).

During the year ended 31 December 2014, a portion of the impaired raw materials were sold. As such, the relevant provision amounted to RMB407,000 (2013: RMB4,717,000) was written-off against the original value.

11. TRADE AND NOTE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables (a)	**1,426,347**	1,292,003
Less: impairment of trade receivables	**(33,986)**	(36,196)
Trade receivables – net	**1,392,361**	1,255,807
Note receivables	**3,749**	–
	1,396,110	1,255,807

Notes

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

(b) Most of the trade receivables are with the expected credit terms of six months, except for retention money amounting to RMB8,292,000 (2013: RMB8,094,000). Except for those disclosed in (d) and (e) below, for trade receivables that are neither past due nor impaired, management considered these were receivables from customer with long cooperation history and no default history, therefore the risk of impairment was low.

(c) Ageing analysis of gross trade receivables as at 31 December 2014 and 2013 is as follows:

	2014	2013
	RMB'000	*RMB'000*
Up to 6 months	**1,061,059**	1,185,920
6 months – 1 year	**55,774**	24,224
1 – 2 years	**294,487**	76,509
2 – 3 years	**16,074**	5,264
Over 3 years	**2,702**	86
Trade receivables, gross	**1,430,096**	1,292,003
Less: Impairment of trade receivables	**(33,986)**	(36,196)
Trade receivables, net	**1,396,110**	1,255,807

11. TRADE AND NOTE RECEIVABLES (CONTINUED)

Notes (continued)

(d) Trade and note receivables of RMB329,069,000 (2013: RMB66,358,000) were past due but not impaired. These receivables relate to a number of independent customers for whom there were no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
6 months to 1 year	**54,099**	20,695
1 to 2 years	**269,354**	45,617
2 to 3 years	**5,616**	46
	329,069	66,358

(e) As at 31 December 2014, trade receivables amounted to RMB33,986,000 (2013: RMB36,196,000) were impaired and fully provided. The individually impaired trade and note receivables mainly related to certain customers who are in unexpectedly difficult financial situations and certain receivables with long ageing which the Company considered difficult to recover.

Movements of impairment of trade receivables are as follows:

	2014	2013
	RMB'000	*RMB'000*
As at 1 January	**(36,196)**	(13,170)
Add: provision for impairment of trade receivables	**2,210**	(23,026)
As at 31 December	**(33,986)**	(36,196)

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

	2014	2013
	Equivalent in	Equivalent in
	RMB'000	*RMB'000*
RMB	**710,337**	702,605
KZT	**545,282**	436,306
USD	**133,460**	109,328
SGD	**854**	4,060
IDR	**222**	–
CAD	**5,955**	3,508
	1,396,110	1,255,807

(g) Trade receivables of RMB216,600,000 (2013: RMB22,000,000) have been pledged for the Group's borrowings (Note 17).

12. PREPAYMENTS AND OTHER RECEIVABLES

Group

	2014 **_RMB'000_**	2013 _RMB'000_
Current		
Advances to suppliers	**120,057**	36,876
Prepayment for taxes	**36,238**	20,731
Total non-financial assets	**156,295**	57,607
Deposits and other receivables	**51,821**	59,325
Less: impairment of other receivables	**(6,702)**	(10,556)
Total financial assets	**45,119**	48,769
	201,414	106,376
Non-current		
Advances to suppliers (Non-financial assets)	**34,411**	23,435
Prepayment for operating lease (Non-financial assets)	**16,173**	16,712
	50,584	40,147
Total	**251,998**	146,523

Notes

(a) No deposits and other receivables as at 31 December 2014 and 2013 were past due but not impaired.

Notes to the Consolidated Financial Statements

12. PREPAYMENT AND OTHER RECEIVABLES (CONTINUED)

Group (continued)

Notes (continued)

(b) The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	2014 Equivalent in *RMB'000*	2013 Equivalent in *RMB'000*
RMB	**172,933**	65,084
KZT	**42,477**	17,832
CAD	**4,244**	674
SGD	**17,216**	28,431
USD	**6,826**	29,149
Others	**8,302**	5,353
	251,998	146,523

(c) Rental deposits and other receivables are financial assets classified under "loan and receivables". The fair values of other receivables approximated their carrying values due to their short maturity.

(d) For other receivables that are neither past due nor impaired, management considered these were prepayment and other receivables from customers with long cooperation history and no default history, therefore the risk of impairment was low. Movements in impairment of other receivables representing those that were part due are as follows:

	2014 *RMB'000*	2013 *RMB'000*
As at 1 January	**(10,556)**	(7,738)
Add: provision for impairment of other receivables	**3,854**	(2,818)
As at 31 December	**(6,702)**	(10,556)

(e) As at 31 December 2014, non-current prepayments amounting to RMB9,761,000 (2013: RMB16,712,000) has been pledged for the Group's borrowings (Note 17).

13. CASH AND CASH EQUIVALENTS

Group

	2014 *RMB'000*	2013 *RMB'000*
Restricted bank deposits (a)	**8,313**	24,840
Cash and cash equivalents		
– Cash on hand	**2,340**	999
– Deposits in banks	**592,688**	634,955
	595,028	635,954
	603,341	660,794

Notes

(a) As at 31 December 2014, the restricted bank deposits comprised deposits of RMB8,303,000 (2013: RMB24,840,000) held as securities for issuance of bank letter of credit and RMB10,000 (2013: Nil) pledged for the Group's borrowings (Note 17).

(b) Restricted bank deposits and cash and cash equivalents which are financial assets classified as "loan and receivables" are denominated in the following currencies:

	2014 Equivalent in ***RMB'000***	2013 Equivalent in *RMB'000*
RMB	**212,931**	385,328
USD	**295,510**	180,672
KZT	**75,575**	83,778
CAD	**8,833**	4,080
HKD	**929**	2,760
SGD	**7,339**	2,803
Others	**2,224**	1,373
	603,341	660,794

13. CASH AND CASH EQUIVALENTS (CONTINUED)

Company

The Company's bank deposits are financial assets classified as "loan and receivables" and denominated in the following currencies:

	2014 Equivalent in *RMB'000*	2013 Equivalent in *RMB'000*
RMB	**20**	83,981
USD	**46,325**	47,286
HKD	**97**	2,016
	46,442	133,283

14. ORDINARY SHARES

	Number of share *(Thousands)*	**Nominal value *RMB'000***
Authorised shares:		
Ordinary shares of US$0.0001 each as at 31 December 2013 and 2014	2,000,000	1,295
Issued shares:		
As at 31 December 2012	1,525,000	968
Add: share options exercised	5,391	4
As at 31 December 2013	1,530,391	972
As at 31 December 2013	1,530,391	972
Add: share options exercised	4,018	2
As at 31 December 2014	**1,534,409**	**974**

15. SHARE PREMIUM

	2014 RMB'000	2013 RMB'000
As at 1 January	**663,226**	715,963
Share options exercised	**5,930**	8,421
Dividends declared (Note 27)	**(77,905)**	(61,158)
As at 31 December	**591,251**	663,226

16. OTHER RESERVES

Group

	2014 RMB'000	2013 RMB'000
Merger reserves (a)	**(148,895)**	(148,895)
Equity component of convertible bonds (Note 17)	**32,370**	32,370
Share-based payments (b)	**136,186**	102,755
Statutory reserves (c)	**53,768**	47,331
Capital reserves (d)	**208,922**	208,922
	282,351	242,483

Company

	2014 RMB'000	2013 RMB'000
Equity component of convertible bonds (Note 17)	**32,370**	32,370
Share-based payments (b)	**136,186**	102,755
Capital reserves (d)	**212,899**	212,899
	381,455	348,024

16. OTHER RESERVES (CONTINUED)

Notes

(a) Merger reserves

As at 31 December 2014 and 2013, the merger reserves balances represented the aggregate of consideration paid for the acquisitions of subsidiaries under common control pursuant to the reorganisation of the Group which was completed on 14 February 2011.

(b) Share-based payments

Pursuant to the share option scheme, the Company granted on 20 February 2012 a total of 26,500,000 share options to 86 employees to subscribe for 26,500,000 ordinary shares of US$0.0001 each at an exercise price of HKD1.292. On 29 March 2012, another 7,300,000 share options were granted by the Company to four directors and one senior management member of the Company to subscribe for 7,300,000 ordinary shares of US$0.0001 each at an exercise price of HKD1.36. The Company further granted on 13 June 2013 a total of 67,450,000 share options to directors and employees to subscribe for 67,450,000 ordinary shares of US$0.0001 each at an exercise price of HKD4.694. These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2014		2013	
	Weighted average exercise price per share options ***HKD***	**Share options** ***(Thousands)***	Weighted average exercise price per share options *HKD*	Share options *(Thousands)*
As at 1 January	**4.24**	**89,003**	1.31	30,050
Granted	**–**	**–**	4.69	67,450
Forfeited	**3.80**	**(6,604)**	1.31	(3,106)
Exercised	**1.31**	**(4,018)**	1.31	(5,391)
As at 31 December	**4.41**	**78,381**	4.24	89,003

16. OTHER RESERVES (CONTINUED)

Notes (continued)

(b) Share-based payments (continued)

As at 31 December 2014 and 2013, out of the outstanding share options listed above, the exercisable share options are as follow:

	As at 31 December 2014		As at 31 December 2013	
	Outstanding shares *(Thousands)*	**Exercise price *(HKD)***	Outstanding shares *(Thousands)*	Exercise price *(HKD)*
Granted on 20 February 2012	**4,271**	**1.29**	2,800	1.29
Granted on 29 March 2012	**3,200**	**1.36**	1,230	1.36
Granted on 13 June 2013	**20,823**	**4.69**	–	–
Total	**28,294**	**3.70**	4,030	1.31

For the year ended 31 December 2014, the total expense recognised in the income statement for share options granted was RMB35,223,000 (2013: RMB34,074,000) (Note 22). The fair value of share options granted in 2013 using the Binomial valuation model was RMB90,469,000. The significant inputs used in the valuation are as below:

	Share options granted in 2013
Share price as of the valuation date (HK$)	4.57
Exercise price (HK$)	4.69
Expected dividend yield	3.00%
Maturity years	10.0
Risk free rate	1.637%
Annualised volatility	53.01%

(c) Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of registered capital after such usage. For the years ended 31 December 2014 and 2013, 10% of statutory net profit of each entity was appropriated to this reserve. This reserve is non-distributable. The movement is as follows:

	RMB'000
As at 31 December 2012	44,029
Add: Appropriation	3,302
As at 31 December 2013	47,331
Add: Appropriation	6,437
As at 31 December 2014	**53,768**

(d) Capital reserves

The capital reserves balances as at 31 December 2014 and 2013 arose from the Controlling Shareholders taking over the Company's certain payables amounting to RMB212,899,000 with a nominal consideration of USD1 on 31 December 2010 during the Group's reorganisation. In 2013, the Group paid SGD 2,384,000 (equivalent to RMB11,584,000) for acquisition of 40 percent of certain subsidiary's non-controlling interests with carrying amount of RMB7,607,000. Therefore, the difference of RMB3,977,000 was charged to capital reserves account.

17. BORROWINGS

Group

	2014 RMB'000	2013 RMB'000
Long-term borrowings:		
Secured bank borrowings (a)(i)(iv)	**58,730**	12,316
Unsecured liability component of convertible bonds (b)	**–**	72,456
	58,730	84,772
Short-term borrowings:		
Short-term bank borrowings		
– Secured (a)(iii)(iv)	**220,610**	22,000
– Unsecured (a)(iii)	**152,975**	120,000
	373,585	142,000
Current portion of long-term borrowings:		
Secured bank borrowings (a)(i)(iv)	**2,475**	2,552
Unsecured bank borrowings (a)(ii)	**–**	45,461
Unsecured liability component of convertible bonds (b)	**83,665**	–
	86,140	48,013
	518,455	274,785

Company

	2014 RMB'000	2013 RMB'000
Long-term borrowings:		
Unsecured liability component of convertible bonds (b)	**–**	72,456
Short-term borrowings:		
Unsecured (a)(iii)	**152,975**	–
Current portion of long-term borrowings:		
Unsecured liability component of convertible bonds (b)	**83,665**	–

17. BORROWINGS (CONTINUED)

Note

(a) Bank borrowings

(i) As at 31 December 2014, long-term secured bank borrowings amounting to RMB7,846,000 (2013: RMB9,259,000), comprising long-term bank borrowings amounting to RMB7,227,000 (2013: RMB8,621,000) and its current portion amounting to RMB619,000 (2013: RMB638,000), will mature until 2026 and bear floating interest rate with repricing period of 3 months and the effective interest rate for the year ended 31 December 2014 is 2.75% per annual (2013: 3.71%),

As at 31 December 2014, long-term secured bank borrowings amounting to RMB3,359,000 (2013: RMB5,609,000) comprising long-term bank borrowings amounting to RMB1,503,000 (2013: RMB3,695,000) and its current portion amounting to RMB1,856,000 (2013: RMB1,914,000) will mature until 2016 and bear effective interest rate of 2.67% per annual (2013: 2.99%).

As at 31 December 2014, long-term secured bank borrowings amounting to RMB50,000,000 (2013: Nil) will mature until 2016 and bear effective interest rate of 10.00% per annual (2013: Nil).

(ii) As at 31 December 2013, current portion of long-term unsecured bank borrowings amounting to RMB45,461,000 bear annual interest rate of 5.00%+LIBOR.

(iii) As at 31 December 2014, short-term secured bank borrowings amounting to RMB220,610,000 (2013: RMB22,000,000) will mature in 1 year and bear annual interest rate of 6.60% (2013: 6.60%).

As at 31 December 2014, short-term unsecured bank borrowings amounting to RMB152,975,000 (2013: RMB120,000,000) will mature in 1 year and bear annual interest rate ranging from 3.80% to 6.90% (2013: 6.00% to 6.90%).

(iv) The collaterals of the Group's secured bank borrowings are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Long-term bank borrowings including its current portion		
Secured by		
– Property, plant and equipment	**1,444**	2,643
– Long-term prepayments	**9,761**	16,712
– Trade and note receivables	**50,000**	–
	61,205	19,355
Short-term bank borrowings		
Secured by:		
– Trade and note receivables	**166,600**	22,000
– Land use right	**14,000**	–
– Restricted bank deposits	**10**	–
– Corporate guarantee provided by certain subsidiary of the Group	**40,000**	–
	220,610	22,000

17. BORROWINGS (CONTINUED)

Note (continued)

(a) Bank borrowings (continued)

(v) The short-term bank borrowings of the Group are wholly repayable within 1 year, while the long-term bank borrowings will be repaid during the maturity period ranging from 2 years to 13 years. The Group's bank borrowings were repayable as follows:

	2014 *RMB'000*	2013 *RMB'000*
Within 1 year	**376,060**	144,552
Between 1 and 2 years	**52,022**	48,012
Between 2 and 5 years	**1,955**	3,695
Over 5 years	**4,753**	6,070
	434,790	202,329

(vi) The carrying amounts of the Group's long-term bank borrowings and short-term bank borrowings approximate their fair value.

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

	2014 *RMB'000*	2013 *RMB'000*
RMB	**220,610**	142,000
USD	**152,975**	45,461
SGD	**11,205**	14,868
KZT	**50,000**	–
	434,790	202,329

(b) Convertible bonds

During the year ended 31 December 2012, the Company and certain independent parties (the "Bond Holders") entered into an agreement (the "Agreement") pursuant to which the Company issued USD15,000,000 unsecured and non-redeemable convertible bonds with a coupon rate of 3% per annum (the "Bonds"). The Bonds are due on 20 August 2015 (the "Maturity Date"). The Bond Holders have the right to convert the Bonds into ordinary shares of the Company at a conversion price of HKD1.65 per share at any time commencing from 20 February 2013 up until to five business days before the Maturity Date. The Bonds were initially partially recognised as a liability which was subsequently re-measured at amortised cost and partially as a derivative liability which was subsequently re-measured at fair value through profit and loss.

Subsequently and before 31 December 2012, the Company and the Bond Holders entered into a supplemental deed whereby the conditions creating the partial derivative liability were extinguished and replaced by a new equity component (the "Supplemental Agreement"), while other Bonds' conditions remained the same. As such the carrying value of the original Bonds was de-recognised and replaced by the fair value of the new Bonds.

17. BORROWINGS (CONTINUED)

Note (continued)

(b) Convertible bonds (continued)

As at 31 December 2014 and 2013, the new Bonds are recorded in the balance sheet as follows:

Face value of convertible bonds issued on initial recognition date in 2012	94,526
Less: Equity component (Note 16)	(32,370)
Liability component on initial recognition date	62,156

	2013 *RMB'000*
Liability component as at 31 December 2012	65,249
Add: Interest expense in 2013 (Note 24)	12,096
Less: Interest paid and payable	(2,744)
Less: Exchange difference	(2,145)
Liability component as at 31 December 2013	72,456

	2014 ***RMB'000***
Liability component as at 31 December 2013	**72,456**
Add: Interest expense in 2014 (Note 24)	**13,754**
Less: Interest paid and payable	**(2,754)**
Less: Exchange difference	**209**
Liability component as at 31 December 2014	**83,665**

18. TRADE PAYABLES

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

	2014 ***RMB'000***	2013 *RMB'000*
Up to 6 months	**626,218**	578,018
6 months to 1 year	**147,180**	52,566
1 – 2 years	**44,234**	33,472
2 – 3 years	**18,012**	1,234
Over 3 years	**13,436**	18,390
	849,080	683,680

19. ACCRUALS AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Interest payable	**1,726**	1,598
Rental fee payable	**16,330**	–
Others	**26,346**	19,778
Total financial liabilities	**44,402**	21,376
Customer deposits and receipts in advance	**20,239**	1,470
Payroll and welfare payable	**48,839**	57,446
Taxes other than income taxes payable	**102,937**	104,805
Total non-financial liabilities	**172,015**	163,721
	216,417	185,097

20. DEFERRED TAXATION

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**27,043**	29,855
Deferred tax assets to be recovered within 12 months	**62,100**	41,022
	89,143	70,877
Deferred tax liabilities:		
Deferred tax liabilities to be settled after 12 months	**(23,304)**	(21,877)
Deferred tax liabilities to be settled within 12 months	**(2,487)**	(212)
	(25,791)	(22,089)
	63,352	48,788

20. DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred income tax account are as follows:

	2014	2013
	RMB'000	*RMB'000*
As at 1 January	**48,788**	36,567
Income statement credit (Note 25)	**17,369**	12,730
Currency translation difference	**(2,805)**	(509)
As at 31 December	**63,352**	48,788

The movement in deferred income tax assets and liabilities for the years ended 31 December 2013 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Assets

	Tax losses	**Impairment of assets**	**Unrealised profit***	**Accrual expense**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2013	7,617	9,892	31,073	8,651	57,233
Income statement credit	1,602	6,260	5,771	520	14,153
Currency translation difference	–	–	(509)	–	(509)
As at 31 December 2013	9,219	16,152	36,335	9,171	70,877
Income statement credit/(charge)	17,439	(1,677)	4,727	(279)	20,768
Currency translation difference	–	–	(2,502)	–	(2,502)
As at 31 December 2014	**26,658**	**14,475**	**38,560**	**9,450**	**89,143**

* Deferred income tax assets in relation to unrealised profit mainly resulted from the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

20. DEFERRED TAXATION (CONTINUED)

Deferred Tax Liabilities

	Accelerated tax depreciation *RMB'000*	Withholding tax of the unremitted earnings of certain subsidiaries* *RMB'000*	Fair value gains *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2013	979	18,642	984	61	20,666
Income statement charge/(credit)	1,620	–	(203)	6	1,423
As at 31 December 2013	2,599	18,642	781	67	22,089
Income statement charge/(credit)	3,604	–	(203)	(2)	3,399
Currency translation difference	303	–	–	–	303
As at 31 December 2014	**6,506**	**18,642**	**578**	**65**	**25,791**

* Deferred tax liabilities in relation to unremitted earnings of certain subsidiaries resulted from certain subsidiaries' accumulated profit which are expected to be distributed as dividends in the future. Pursuant to the local tax regulations where such subsidiaries operate, when such subsidiaries declare or paid dividends, withholding tax will be imposed on these dividends.

Details of unrecognised deferred tax are as follows:

(a) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB17,502,000 as at 31 December 2014 (2013: RMB14,901,000), in respect of losses amounting to RMB80,697,000 (2013: RMB69,199,000) as at those dates, respectively, that can be carried forward against future taxable income and will expire between 2014 and 2018.

(b) As at 31 December 2014, the Group did not recognise deferred tax liabilities of RMB50,297,000 (2013: RMB36,384,000) on withholding tax of unremitted earnings of certain subsidiaries earned prior to 1 July 2011 and during 2013 and 2014, as such unremitted earnings amounting to RMB1,499,635,000 (2013: RMB761,755,000) are expected to be retained in the respective subsidiaries for their future investment and expansion activities.

21. OTHER (LOSSES)/GAINS, NET

	2014 *RMB'000*	2013 *RMB'000*
Net foreign exchange (losses)/gains	**(22,210)**	10,006
Others	**4,250**	2,602
	(17,960)	12,608

22. EMPLOYEE BENEFITS EXPENSES

	2014 *RMB'000*	2013 *RMB'000*
Wages, salaries and allowances	**502,596**	454,659
Housing benefits	**13,730**	9,475
Pension costs	**48,359**	34,087
Share-based payments (Note 16)	**35,223**	34,074
Welfare and other expenses	**17,157**	11,959
	617,065	544,254

Note

(a) Directors' and chief executive's remuneration

The remuneration of every director and the chief executive for the year ended 31 December 2013 and 2014 is as follows:

	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *RMB'000*	Retirement benefits and others *RMB'000*	Total *RMB'000*
Year ended 31 December 2013					
Executive Directors					
Mr. Wang Guoqiang*	1,457	230	616	90	2,393
Mr. Wu Dongfang	1,457	–	616	94	2,167
Mr. Liu Ruoyan	701	208	883	3	1,795
Mr. Jin Shumao**	1,915	–	616	88	2,619
Non-executive Directors					
Mr. Lin Yang	–	–	–	–	–
Ms. Chen Chunhua****	561	–	771	–	1,332
Independent Non-Executive Directors					
Mr. Wu Kwok Keung Andrew	240	–	771	–	1,011
Mr. Wan Kah Ming	240	–	771	–	1,011
Ms. Zhang Yujuan***	183	–	565	–	748
	6,754	438	5,609	275	13,076

22. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

Note (continued)

(a) Directors' and chief executive's remuneration (continued)

	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *RMB'000*	Retirement benefits and others *RMB'000*	Total *RMB'000*
Year ended 31 December 2014					
Executive Directors					
Mr. Wang Guoqiang*	1,525	230	785	95	2,635
Mr. Wu Dongfang	1,523	230	785	101	2,639
Mr. Liu Ruoyan	758	487	900	–	2,145
Mr. Jin Shumao**	2,166	300	785	98	3,349
Non-executive Directors					
Mr. Lin Yang	–	–	–	–	–
Ms. Chen Chunhua****	875	–	808	42	1,725
Independent Non-Executive Directors					
Mr. Wu Kwok Keung Andrew	282	–	808	–	1,090
Mr. Wan Kah Ming	254	–	808	–	1,062
Ms. Zhang Yujuan***	263	–	720	–	983
	7,646	1,247	6,399	336	15,628

* Mr. Wang Guoqiang is also the chief executive of the Company. The remuneration reflected his total emoluments as both the director and the chief executive for the years ended 31 December 2014 and 2013.

** Mr. Jin Shumao was appointed as an executive director of the company on 27 March 2013.

*** Ms. Zhang Yujuan was appointed as an independence non-executive director on 27 March 2013.

**** Ms. Chen Chunhua was appointed as an non-executive director on 27 March 2013.

22. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

Note (continued)

(b) The emoluments of the five highest paid individuals, of which fell within the following bands:

	2014	2013
Emolument band		
HKD2,000,001 to HKD2,500,000 (equivalent to RMB1,621,000 to RMB2,026,000)	**–**	–
HKD3,000,001 to HKD3,500,000 (equivalent to RMB2,431,000 to RMB2,836,000)	**2**	2
HKD3,500,001 to HKD4,000,000 (equivalent to RMB2,836,000 to RMB3,242,000)	**–**	1
HKD4,000,001 to HKD4,500,000 (equivalent to RMB3,242,000 to RMB3,647,000)	**2**	–
HKD4,500,001 to HKD5,000,000 (equivalent to RMB3,647,000 to RMB4,052,221)	**1**	2
	5	5

(c) For the year ended 2013 and 2014, no director or other member of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

23. EXPENSES BY NATURE

Operating profit is arrived at after charging the following:

	2014 *RMB'000*	2013 *RMB'000*
Losses/Gains) on disposal of property, plant and equipment	**587**	(904)
Sales tax and surcharges	**8,534**	6,586
Depreciation	**74,558**	67,948
Amortisation of land use right and intangible assets	**8,186**	2,758
Auditor's remuneration as audit service	**4,600**	4,600

24. FINANCE COSTS, NET

	2014 RMB'000	2013 RMB'000
Finance income:		
– Interest income on short-term bank deposits	**2,833**	7,384
Finance income	**2,833**	7,384
Net foreign exchange losses on financing activities	**(6,664)**	(712)
Interest expense:		
– Bank borrowings	**(22,330)**	(14,773)
– Bank charges	**(3,905)**	(4,441)
– Liability component of convertible bonds	**(13,754)**	(12,096)
Total finance costs	**(46,653)**	(32,022)
Net finance costs	**(43,820)**	(24,638)

25. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current taxation	**63,467**	93,823
Deferred taxation	**(17,369)**	(12,730)
Income tax expense	**46,098**	81,093

a. The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

b. Subsidiaries established in Netherlands and Luxemburg are subject to Netherland and Luxemburg profit tax at a rate of 20% and 30% respectively.

c. Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5%.

d. The subsidiaries established in Singapore are subject to Singapore profit tax at 10%.

25. INCOME TAX EXPENSE (CONTINUED)

e. PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2014 and 2013, certain subsidiaries established in the western area of the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

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

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

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

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

	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**160,365**	389,490
Tax calculated at domestic tax rates applicable to profits in the respective countries	**28,350**	65,416
Expenses not deductible for taxation purposes	**9,853**	5,590
Losses not recognised as deferred tax assets	**2,601**	7,581
Withholding tax paid in foreign jurisdiction not deductible against local tax	**5,294**	2,506
Income tax expense	**46,098**	81,093

26. LOSSES ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The losses attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of RMB22,578,000 (2013: losses of RMB3,652,000).

27. DIVIDENDS

The Board did not recommend the payment of a final dividend for 2014.

A dividend in respect of the year ended 31 December 2013 of RMB0.05 (equivalent to HKD0.064) per share, amounting to a total dividend of RMB77,905,000 (equivalent to HKD99,718,000), has been approved at the annual general meeting and paid during the year ended 31 December 2013.

28. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2014 ***RMB'000***	2013 *RMB'000*
Profit attributable to equity owners of the Company	**116,176**	300,377
Weighted average number of ordinary shares in issue (thousands)	**1,533,036**	1,527,973
Basic earnings per share (RMB per share)	**0.076**	0.197

28. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options, however, when calculating the dilutive earnings per share for year 2014, the convertible bond was excluded as it has an anti-dilutive factor for the period. As such, only share options factor was considered by comparing the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options with those that would have been issued assuming the exercise of the share options.

	2014 ***RMB'000***	2013 *RMB'000*
Earnings		
Profit attributable to equity owners of the Company	**116,176**	300,377
Add: Interest expense on convertible bonds (Note 24)	**Anti-dilutive**	12,096
	116,176	312,473
Weighted average number of ordinary shares in issue (thousands)	**1,533,036**	1,527,973
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	**Anti-dilutive**	71,779
– Share options (thousands)	**10,216**	15,460
	1,543,252	1,615,212
Diluted earnings per share	**0.075**	0.194

29. CASH GENERATED FROM OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit before income tax	**160,365**	389,490
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 23)	**74,558**	67,948
– net losses/(gains) on disposals (Note 23)	**587**	(904)
Land use right and intangible assets		
– amortisation (Notes 7&8)	**8,186**	2,758
(Reversal)/Provision for impairment of assets	**(6,064)**	25,844
Net foreign exchange (gains)/losses (Notes 21& 24)	**28,874**	(9,294)
Interest income (Note 24)	**(2,833)**	(7,384)
Interest expenses on borrowing (Note 24)	**22,330**	14,773
Interest expenses on convertible bonds (Note 24)	**13,754**	12,096
Share-based payments	**35,223**	34,074
Changes in working capital:		
Inventories	**(65,107)**	(169,638)
Trade receivables	**(138,093)**	(235,564)
Prepayments and other receivables	**(83,282)**	(33,538)
Trade payables	**(31,081)**	271,244
Accruals and other payables	**(24,167)**	(16,299)
Restricted bank deposits	**16,527**	(11,055)
Net cash inflows from operations	**9,777**	334,551

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

	2014 RMB'000	2013 RMB'000
Net carrying value (Note 6)	**4,046**	8,611
(Losses)/Gain on disposal of property, plant and equipment (Note 23)	**(587)**	904
Less: unsettled receivables in relation to the disposal	**630**	(538)
Proceeds from disposal of property, plant and equipment	**4,089**	8,977

30. CONTINGENCIES

As at 31 December 2014 and 2013, the Group did not have any significant contingent liabilities.

31. COMMITMENT

(a) Capital commitments

Capital expenditure contracted for but not incurred at the end of the reporting period is as below:

	2014	2013
	RMB'000	*RMB'000*
Property, plant and equipment	**1,022**	5,572

(b) Operating lease commitments – where the Group is the lessee:

The Group leases various offices, warehouses and equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	RMB'000	*RMB'000*
No later than 1 year	**19,417**	18,690
Later than 1 year and no later than 5 years	**79,936**	88,708
Later than 5 years	**314,537**	335,567
	413,890	442,965

32. BUSINESS COMBINATIONS

The goodwill of RMB781,000 arose from the acquisition of 60% of the ordinary shares in AWP Precision Engineering Pte. Ltd. ("AWP") on 27 June 2012.

On 3 October 2013, the Group further acquired 40% of the ordinary shares in AWP at a consideration of RMB11,584,000 (Note 16(d)).

As at 31 December 2014 and 2013, the Company has reviewed the business performance of AWP. Pursuant to the review, the recoverable amount which was determined as the higher of value in use and the fair value less costs to sell exceeded the carrying amount. Accordingly, no impairment loss of goodwill was recognised.

33. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties for the year ended 31 December 2014 and 2013:

(a) Indemnity provided by Controlling Shareholders

The Controlling Shareholders have provided indemnity in favour of the Company for any claim prior to the Group's reorganisation against the Company for any losses, liabilities and cost arising from claims by third parties including tax authorities.

(b) Key management compensation

Key management includes executive directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2014 ***RMB'000***	2013 *RMB'000*
Basic salaries, allowances and bonuses	**18,873**	19,965
Share-based payments	**10,171**	8,248
Pension	**755**	541
	29,799	28,754

SPT Energy Group Inc.
華油能源集團有限公司*