PETRO-KING OILFIELD SERVICES LIMITED
百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of Petro-king Oilfield Services Limited (the "**Company**") hereby presents the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**we**" or "**our**") for the year ended 31 December 2014.

HIGHLIGHTS

- Revenue decreased by 34% from HK$1,060.4 million in 2013 to HK$705.2 million in 2014. The decline in the revenue was partly due to the general slowdown in business activities of the Group's major customers in China and partly due to the risk control measures taken by the Group in South America.

- Provision for impairment of trade receivables amounted to HK$280.3 million in 2014 (2013: Nil).

- The Group recorded a net loss of HK$418.1 million in 2014 against a net profit of HK$210.5 million in 2013.

- Losses per share to owners of the Company amounted to 38 HK cents in 2014, against the restated earnings per share of 19 HK cents in 2013.

- The Board does not recommend payment of a final dividend for the year ended 31 December 2014.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***HK$***	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment		**815,108,065**	293,367,628
Intangible assets		**567,312,381**	570,086,032
Land use rights		**27,624,161**	12,042,244
Other receivables, deposits and prepayments		**142,610,890**	15,483,332
Deferred tax assets		**11,110,957**	2,938,116
		1,563,766,454	893,917,352
Current assets			
Inventories		**367,967,129**	298,595,476
Trade receivables	*4*	**778,448,845**	1,004,403,841
Other receivables, deposits and prepayments		**170,989,049**	146,103,272
Current income tax recoverable		**19,092,871**	–
Pledged bank deposits		**200,153,654**	160,699,613
Restricted bank balance		**6,338,000**	1,526,000
Cash and cash equivalents		**55,338,593**	343,920,842
		1,598,328,141	1,955,249,044
Total assets		**3,162,094,595**	2,849,166,396
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,658,187,323**	1,634,591,001
Other reserves		**51,761,281**	36,174,501
Retained earnings			
– Proposed dividend		**–**	53,405,022
– Others		**41,679,117**	466,872,665
		1,751,627,721	2,191,043,189
Non-controlling interests		**43,300,306**	34,523,674
Total equity		**1,794,928,027**	2,225,566,863

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***HK$***	*HK$*
LIABILITIES			
Non-current liabilities			
Bank borrowings	*6*	**36,784,340**	–
Deferred tax liabilities		**18,673,478**	14,589,423
		55,457,818	14,589,423
Current liabilities			
Trade payables	*5*	**312,042,125**	243,373,379
Other payables and accruals		**274,793,350**	109,464,337
Current income tax liabilities		**12,174,721**	22,749,194
Bank borrowings	*6*	**712,698,554**	233,423,200
		1,311,708,750	609,010,110
Total liabilities		**1,367,166,568**	623,599,533
Total equity and liabilities		**3,162,094,595**	2,849,166,396
Net current assets		**286,619,391**	1,346,238,934
Total assets less current liabilities		**1,850,385,845**	2,240,156,286

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***HK$***	*HK$*
Revenue	*3*	**705,171,931**	1,060,434,801
Other income		**416,356**	2,406,217
Operating costs			
Material costs		**(220,280,044)**	(314,913,278)
Depreciation of property, plant and equipment		**(61,232,743)**	(19,615,366)
Amortisation of intangible assets and land use rights		**(1,640,437)**	(8,448,875)
Operating lease rental		**(20,169,812)**	(13,772,219)
Employee benefit expenses		**(214,901,798)**	(168,385,310)
Distribution expenses		**(22,196,088)**	(18,571,683)
Technical services fees		**(74,749,090)**	(124,709,462)
Research and development expenses		**(24,647,982)**	(14,580,370)
Entertainment and marketing expenses		**(27,794,024)**	(28,668,183)
Other expenses	*7*	**(147,868,522)**	(94,734,842)
Provision for impairment of trade receivables		**(280,296,230)**	–
Other (losses)/gains	*8*	**(7,811,493)**	3,263,428
Operating (loss)/profit		**(397,999,976)**	259,704,858
Finance income	*9*	**19,167,440**	12,744,503
Finance costs	*9*	**(38,000,767)**	(12,988,735)
Finance costs, net		**(18,833,327)**	(244,232)
(Loss)/profit before income tax		**(416,833,303)**	259,460,626
Income tax expense	*10*	**(1,314,244)**	(48,954,479)
(Loss)/profit for the year		**(418,147,547)**	210,506,147
Other comprehensive income			
Item that may be classified subsequently to profit or loss:			
Currency translation differences		**18,979,446**	37,656,636
Total comprehensive (loss)/income for the year		**(399,168,101)**	248,162,783

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***HK$***	*HK$*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(423,081,483)**	196,600,131
Non-controlling interests		**4,933,936**	13,906,016
		(418,147,547)	210,506,147
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(404,057,580)**	233,213,449
Non-controlling interests		**4,889,479**	14,949,334
		(399,168,101)	248,162,783
(Losses)/earnings per share attributable to owners of the Company during the year	*11*		(As restated)
Basic (losses)/earnings per share *(HK$ cents)*		**(38)**	19
Diluted (losses)/earnings per share *(HK$ cents)*		**(38)**	19
Dividend	*12*	**–**	53,405,022

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The Company has its primary listing on Main Board of The Stock Exchange of Hong Kong Limited on 6 March 2013.

The Company's consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Venezuela as a hyperinflationary economy

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

Pursuant to the requirements of IAS 29, the Venezuelan subsidiary which reports its financial statements in Bolivar Fuerte, i.e. currency of a hyperinflationary economy, should be stated in terms of the measuring unit current on the date of the financial statements. All balances that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All statement of comprehensive income components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognised in the financial statements. The restatement of the current financial statement amounts was carried out using Venezuela's consumer price index (INPC). In December 2014, the index was 839.5 (2013: 498.1) and the year-over-year change in the index was 68.5%.

Pursuant to this standard, the Venezuelan subsidiary is required to adjust the historical cost of non-monetary assets and liabilities, and the statement of comprehensive income to reflect the changes in purchasing power of the currency caused by inflation.

In preparing the Group's consolidated financial statements, all components of the financial statements of the Venezuelan subsidiary were translated at the official exchange rate, which at 31 December 2014 was 6.30 Bolivares Fuertes per U.S. dollar (or 1.23 H.K. dollars per Bolivar Fuerte).

As at 31 December 2014, the Group has revaluated the non-monetary assets and liabilities, and the gain derived from the revaluation is reflected as finance income on the consolidated statement of comprehensive income of HK$14,699,143 (Dec 2013: HK$7,473,618). The deferred tax liabilities on temporary difference associated with reinstatement of the non-monetary assets and liabilities as at 31 December 2014 amounted to HK$8,033,037 (Dec 2013: HK$2,538,251).

2.1.1 Going Concern

During the year ended 31 December 2014, the Group reported net loss attributable to owners of approximately HK$423,081,000 and operating cash outflow of approximately HK$85,248,000 due to the sluggish global oil and gas market that caused significant decline in new oilfield service orders and delay in realising trade receivables. As at 31 December 2014, the Group had total bank borrowings of approximately HK$749,000,000, of which approximately HK$712,699,000 will be due in the coming twelve months. As at 31 December 2014, the Group had cash and cash equivalents and pledged deposits of approximately HK$55,339,000 and HK$200,154,000, respectively.

Pursuant to the requirements set out in a term loan agreement dated 25 September 2014, the Group is obliged to comply with restrictive financial covenants and certain undertakings, including not to incur additional financial indebtedness by the Group in relation to the relevant term loan (the "**Term Loan**"). As at 31 December 2014, the Term Loan amounted to US$40,000,000 (equivalent to HK$312,000,000), which has scheduled repayment dates from 2015 to 2017. The Group is required to file a compliance certificate and to supply to the financiers financial statements for the year ended 31 December 2014. Based on the Group's financial statements for the year ended 31 December 2014, the Group has breached certain of these financial covenants and undertakings. On 12 March 2015, the Group entered into a placing agreement (the "**Placing Agreement**") with a placing agent for the proposed issuance of convertible bonds, which is conditional upon, amongst others, the waiver obtained from the bank. The breach of the restrictive financial covenants constituted events of default under the Term Loan agreement, which may cause the relevant Term Loan of HK$312,000,000 to become immediately repayable. In this connection, the Group has classified the entire HK$312,000,000 outstanding balance of the Term Loan under current liabilities. This has increased the Group's total borrowings due within a year to approximately HK$712,699,000 as at 31 December 2014 and the Group did not have any committed long-term financing to fund the repayment of such borrowings at year end.

All of the above conditions indicate the existence of material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company and the Group's management have given careful consideration to the future liquidity and performance of the Group and its available sources of financing to assess whether the Group will have sufficient working capital to fulfill its financial obligations as a going concern. The Group has implemented a number of measures to improve its financial position and alleviate its liquidity pressure, including:

(i) The Group has been actively seeking new sources of long-term financing to refinance the Group's borrowings due within a year. On 2 February 2015, the Group completed the rights issue of 154,341,411 ordinary shares of the Company at HK$0.98 per rights share and obtained net proceeds of HK$147,930,000.

(ii) On 25 March 2015, the Group has obtained waiver from all of the financiers of the Term Loan in respect of those restrictive financial covenants that the Group has breached and the compliance of incurrence of additional financial indebtedness arising from the proposed issuance of the Convertible Bonds. Under the terms of the waiver, the Group is required and has agreed to apply the net proceeds from the expected issuance of the convertible bonds to partial repay the Term Loan no later than 30 April 2015. The financiers have agreed to defer the due date of the remaining outstanding principal of the Term Loan of US$20,000,000 (equivalent to approximately HK$156,000,000) to 31 January 2016.

(iii) On 30 March 2015, the Group has satisfied all the conditions set out in the Placing Agreement and obtained the necessary regulatory approvals for the issuance of certain three-year 5% convertible bonds ("**Convertible Bonds**") to raise HK$153,000,000. The final issuance of the Convertible Bonds is subject to the completion of certain administrative procedures. The net proceeds from the issuance of Convertible Bonds will be used for partial repayment of the Term Loan.

(iv) The Group is in advance discussions with a financier to obtain a long-term borrowing facility of up to HK$150,000,000 to be secured by the Group's certain property, plant and equipment.

(v) The Group has engaged in on-going discussions with its financiers to renew its short-term bank borrowings and borrowing facilities. As at the date of this announcement, the Group has approximately HK$342,252,000 unutilised uncommitted borrowing facilities. The Group's management will continue to negotiate with the financiers to renew the Group's short-term bank borrowings as and when they fall due in the coming twelve months.

(vi) The Group has intensified its efforts to collect outstanding trade receivables from its customers to reduce the Group's working capital requirements. It is also continuing its efforts to increase its income from overseas operations, in particular in the Middle East, to reduce its reliance on certain major customers in the People's Republic of China (the "PRC") and South America. At the same time, the Group is implementing measures to contain its operating and capital expenditures with an aim to enhance the Group's liquidity and profitability in the long run.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2014. In the opinion of the directors, in light of the above, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2014. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate operating and financing cash flows through (i) successful renewal of its bank loans upon expiry, securing new bank loans and continuous compliance with the relevant covenants and undertaking requirements to maintain these financings; (ii) successful issuance of the Convertible Bonds; (iii) generating adequate operating cash inflows by collecting long-aged receivables from its major customers and realising cash from new sales or service contracts; and (iv) successful implementation of the operational plans and measures to control costs and generate adequate cash flows. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have been adopted in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IFRS 10, IFRS 12 and IAS 27 (2011) Amendment	Investment Entities	1 January 2014
IAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not effective for the financial year end beginning 1 January 2014, and have not been early adopted in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
IAS 1	Presentation of Financial Statements	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities	1 January 2016
IFRS 10 and IAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
IAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

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

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 to the presentation and disclosure of information in the consolidated financial statements.

3 SEGMENT INFORMATION

The Chief Operating Decision Maker ("**CODM**") has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on these reports.

The Group's operating segments, which are also the reportable segments, are entity or group of entities that offer different products and services.

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

The CODM assesses performance of three reporting segments: oilfield project services, consultancy services and manufacturing and sales of tools and equipment. These reporting segments comprise respective services performed in these areas and related ancillary trading and manufacturing activities.

(a) Revenue

Revenue recognised during the year ended 31 December 2014 and 2013 is as follows:

	2014	2013
	HK$	*HK$*
Oilfield project services		
– Drilling	**179,160,479**	66,450,793
– Well completion	**28,554,457**	253,495,133
– Production enhancement	**225,510,124**	419,304,895
Total oilfield project services	**433,225,060**	739,250,821
Consultancy services	**89,075,551**	40,483,583
Manufacturing and sales of tools and equipment	**182,871,320**	280,700,397
Total revenue	**705,171,931**	1,060,434,801

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

	Oilfield project services *HK$*	**Consultancy services** *HK$*	**Manufacturing and sales of tools and equipment** *HK$*	**Total** *HK$*
Year ended 31 December 2014				
Total segment revenue	**433,225,060**	**89,075,551**	**236,539,172**	**758,839,783**
Inter-segment revenue	**–**	**–**	**(53,667,852)**	**(53,667,852)**
Revenue from external customers	**433,225,060**	**89,075,551**	**182,871,320**	**705,171,931**
Segment results	**(179,295,216)**	**52,356,596**	**21,764,006**	**(105,174,614)**
Net unallocated expenses				**(311,658,689)**
Loss before income tax				**(416,833,303)**
Other information:				
Amortisation	**(1,117,483)**	**–**	**–**	**(1,117,483)**
Depreciation	**(47,427,654)**	**–**	**(7,641,986)**	**(55,069,640)**
Provision for impairment of trade receivables	**(266,215,565)**	**(10,419,289)**	**(3,661,376)**	**(280,296,230)**
Income tax expenses	**–**	**–**	**(2,930,245)**	**(2,930,245)**

	Oilfield project services *HK$*	Consultancy services *HK$*	Manufacturing and sales of tools and equipment *HK$*	Total *HK$*
Year ended 31 December 2013				
Total segment revenue	739,250,821	40,483,583	399,943,930	1,179,678,334
Inter-segment revenue	–	–	(119,243,533)	(119,243,533)
Revenue from external customers	739,250,821	40,483,583	280,700,397	1,060,434,801
Segment results	428,276,019	23,125,795	68,443,894	519,845,708
Net unallocated expenses				(260,385,082)
Profit before income tax				259,460,626
Other information:				
Amortisation	(909,707)	–	(7,478,993)	(8,388,700)
Depreciation	(11,478,190)	–	(4,152,621)	(15,630,811)
Trade receivables written off during the year as uncollectible	(2,000,277)	–	–	(2,000,277)
Income tax expenses	–	–	(8,781,774)	(8,781,774)

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

A reconciliation of operating segment's results to total (loss)/profit before income tax is provided as follows:

	2014	2013
	HK$	*HK$*
Segment results	**(105,174,614)**	519,845,708
Other income	**416,356**	2,406,217
Material costs	**(3,850,416)**	(15,789,007)
Depreciation of property, plant and equipment	**(6,163,103)**	(3,984,555)
Amortisation of intangible assets	**(522,954)**	(60,175)
Operating lease rental	**(11,390,586)**	(10,592,589)
Employee benefit expenses	**(135,014,608)**	(106,296,425)
Distribution expenses	**(21,131,992)**	(18,263,978)
Research and development expenses	**(23,822,727)**	(14,422,525)
Entertainment and marketing expenses	**(19,514,612)**	(24,379,276)
Other expenses	**(77,535,827)**	(79,775,451)
Other (losses)/gains	**(7,811,493)**	1,292,248
Finance income	**19,167,440**	12,667,121
Finance costs	**(24,484,167)**	(3,186,687)
(Loss)/profit before income tax	**(416,833,303)**	259,460,626

(b) Assets

The segment assets as at 31 December 2014 are as follows:

	Oilfield project services	**Consultancy services**	**Manufacturing and sales of tools and equipment**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
As at 31 December 2014				
Segment assets	**2,025,872,905**	**187,922,752**	**618,787,126**	**2,832,582,783**
Unallocated assets				**329,511,812**
Total assets				**3,162,094,595**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**542,423,387**	**–**	**133,168,841**	**675,592,228**

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

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

The segment results included the material costs, technical service fee, depreciation, amortisation, distribution expenses, operating lease rental, employee benefit expenses, research and development expenses, entertainment and marketing expenses, other expenses, provision for impairment of trade receivables, other (losses)/gains and finance income and costs, allocated to each operating segment.

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

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

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

	2014 ***HK$***	2013 *HK$*
Segment assets for reportable segments	**2,832,582,783**	2,358,569,781
Unallocated assets		
– Unallocated property, plant and equipment	**20,024,511**	16,173,637
– Unallocated intangible assets	**1,452,353**	1,266,060
– Unallocated other receivables and prepayments	**40,534,950**	27,631,986
– Unallocated deferred tax assets	**8,052,118**	–
– Unallocated current income tax recoverable	**19,092,871**	–
– Unallocated pledged bank deposits	**192,470,062**	146,974,437
– Unallocated restricted bank balance	**6,338,000**	–
– Unallocated cash and cash equivalents	**41,546,947**	298,550,495
	329,511,812	490,596,615
Total assets per consolidated balance sheet	**3,162,094,595**	2,849,166,396

(c) **Geographical information**

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

	2014	2013
	HK$	*HK$*
Mainland China	**465,357,984**	625,793,940
South America	**71,737,301**	358,422,172
Middle East	**146,336,206**	54,965,453
Others	**21,740,440**	21,253,236
	705,171,931	1,060,434,801

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

	2014	2013
	HK$	*HK$*
Mainland China	**1,275,593,663**	688,174,574
South America	**135,869,292**	137,754,332
Singapore	**97,473,921**	49,566,998
Middle East	**43,577,658**	–
Australia	**140,963**	–
	1,552,655,497	875,495,904

(d) **Information about major customers**

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

	2014	2013
	HK$	*HK$*
Customer 1	**71,737,301**	358,422,172
Customer 2	**135,653,884**	332,983,567
Customer 3	**101,170,795**	–
	308,561,980	691,405,739

4 TRADE RECEIVABLES

Trade receivables

	2014	2013
	HK$	*HK$*
Trade receivables	**1,076,049,106**	1,011,528,818
Less: provision for impairment of trade receivables	**(297,600,261)**	(7,124,977)
Trade receivables – net	**778,448,845**	1,004,403,841

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

	2014	2013
	HK$	*HK$*
Up to 3 months	**270,129,437**	464,795,740
3 to 6 months	**148,956,358**	50,871,773
6 to 12 months	**155,869,570**	297,194,761
Over 12 months	**501,093,741**	198,666,544
Trade receivables	**1,076,049,106**	1,011,528,818
Less: provision for impairment of trade receivables	**(297,600,261)**	(7,124,977)
Trade receivables – net	**778,448,845**	1,004,403,841

As at 31 December 2014, trade receivables of HK$505,855,179 (2013: HK$550,260,441) were past due but not impaired. The ageing analysis of these trade receivables by due date is as follows:

	2014	2013
	HK$	*HK$*
Up to 3 months	**92,354,726**	67,210,433
3 to 6 months	**177,009,115**	302,976,819
6 to 12 months	**91,501,649**	162,451,248
Over 12 months	**144,989,689**	17,621,941
	505,855,179	550,260,441

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

Before accepting any new customers, the Group entities apply an internal credit assessment policy to assess the potential customer's credit quality. Management closely monitors the credit quality of trade receivables and considers that the trade receivables to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults. The Group generally allows a credit period of 90 days after invoice date to its customers.

As at 31 December 2014, bank borrowings are secured by certain trade receivables with an aggregate carrying value of approximately HK$641,387,391 (2013: Nil).

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

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

	2014	2013
	HK$	*HK$*
US$	**379,890,982**	572,360,056
RMB	**382,397,964**	384,934,376
EURO	**7,073,281**	37,552,923
Bs	**9,086,618**	9,556,486
	778,448,845	1,004,403,841

Management has assessed the credit quality of customers on a case-by-case basis, taking into account the financial positions, historical record, amounts and timing of expected receipts and other factors. For customers with higher inherent credit risk, the Group increases the price premium of the transactions to manage the risk. The Group has reviewed the credit risk exposure and the customers' expected pattern of settlement at each year end.

Certain customers of the Group experienced significant and rapid deterioration in the credit ratings as well as other market parameters which indicates an increase in the credit default risk. Based on the above at year end, management has determined to record a provision for doubtful receivable as at 31 December 2014 amounted to HK$297,600,261 (2013: HK$7,124,977) which represents the impairment and discounting effect of total receivable due from the Group's certain debtors. The aging of these receivables is as follows:

	2014	2013
	HK$	*HK$*
6 to 12 months	**13,743,702**	–
Over 12 months	**283,856,559**	7,124,977
	297,600,261	7,124,977

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

	2014	2013
	HK$	*HK$*
At 1 January	**7,124,977**	–
Provisions for receivables impairment	**290,475,284**	9,125,254
Trade receivables written off during the year as uncollectible	**–**	(2,000,277)
As at 31 December	**297,600,261**	7,124,977

The recognition of provisions for receivables impairment has been included in 'provision for impairment of trade receivables' of HK$280,296,230 (2013: HK$2,000,277) and 'finance costs' of HK$10,179,054 (2013: HK$7,124,977).

5 TRADE PAYABLES

Trade payables

	2014	2013
	HK$	*HK$*
Trade payables	**312,042,125**	243,373,379

Ageing analysis of the trade payables based on invoice date was as follows:

	2014	2013
	HK$	*HK$*
Up to 1 month	**59,147,041**	86,151,776
1 to 2 months	**43,110,598**	59,739,419
2 to 3 months	**31,438,622**	3,508,166
Over 3 months	**178,345,864**	93,974,018
	312,042,125	243,373,379

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

	2014	2013
	HK$	*HK$*
US$	**89,431,143**	152,603,934
RMB	**215,966,516**	84,415,584
SGD	**6,512,160**	5,756,141
Others	**132,306**	597,720
	312,042,125	243,373,379

6 BANK BORROWINGS

	2014	2013
	HK$	*HK$*
Non-current		
Bank borrowings	**36,784,340**	–
Current		
Bank borrowings	**400,637,878**	233,423,200
Non-current borrowings reclassified as current *(Note)*	**312,060,676**	–
	749,482,894	233,423,200

Bank borrowings bear average coupon rate of 4.2% (2013: 4.4%) as at 31 December 2014.

Note:

Pursuant to the requirements of the Term Loan, the Group is obliged to comply with restrictive financial covenants and certain undertakings, including not to incur additional financial indebtedness by the Group. As at 31 December 2014, the Term Loan amounted to US$40,000,000 (equivalent to HK$312,000,000), which has scheduled repayment dates from 2015 to 2017. The Group is required to file a compliance certificate and to supply to the financiers financial statements for the year ended 31 December 2014. Based on the Group's financial statements for the year ended 31 December 2014, the Group has breached certain of these financial covenants and undertakings. On 12 March 2015, the Group entered into a placing agreement (the "**Placing Agreement**") with a placing agent for the proposed issuance of convertible bonds, which is conditional upon, amongst others, the waiver obtained from the bank. The breach of the restrictive financial covenants constituted events of default under the Term Loan agreement, which may cause the relevant Term Loan of HK$312,000,000 to become immediately repayable. In this connection, the Group has classified the entire HK$312,000,000 outstanding balance of the Term Loan under current liabilities. This has increased the Group's total borrowings due within a year to approximately HK$712,699,000 as at 31 December 2014 and the Group did not have any committed long-term financing to fund the repayment of such borrowings at year end.

The maturities of bank borrowings with reference to the schedule of repayment set out in the loan agreements regardless of breach of covenants are as follows:

	2014	2013
	HK$	*HK$*
Within 1 year	**469,200,099**	233,423,200
Between 1 and 2 years	**122,018,238**	–
Between 2 and 5 years	**126,898,216**	–
Over 5 years	**31,366,341**	–
Total bank borrowings	**749,482,894**	233,423,200

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

	2014	2013
	HK$	*HK$*
Floating interest rates	**749,482,894**	233,423,200

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

	2014	2013
	HK$	*HK$*
6 months or less	**700,955,566**	190,234,542
6-12 months	**48,527,328**	43,188,658
	749,482,894	233,423,200

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

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

	2014	2013
	HK$	*HK$*
HK$	**71,000,000**	71,000,000
US$	**342,654,948**	18,094,962
RMB	**297,441,418**	144,328,238
SGD	**38,386,528**	–
	749,482,894	233,423,200

The Group's bank borrowings were secured as follows:

	2014	2013
	HK$	*HK$*
Secured	**574,554,094**	152,659,962
Unsecured	**174,928,800**	80,763,238
	749,482,894	233,423,200

As at 31 December 2014, banking facilities of approximately HK$1,028 million (2013: HK$1,088 million) were granted by banks to the Company and its subsidiaries, of which approximately HK$749 million (2013: HK$233 million) have been utilised by the Company and its subsidiaries. The facilities are secured by:

(a) certain pledged bank deposits;

(b) corporate guarantees given by certain Group companies;

(c) floating charge on all trade receivables of certain subsidiaries of the Company of approximately HK$641 million (2013: Nil); and

(d) a building under construction of the Group

The Group has the following undrawn borrowing facilities:

	2014	2013
	HK$	*HK$*
Floating rate		
– Expiring within one year	**63,380,000**	744,287,038
– Expiring beyond one year	**215,492,000**	109,931,762
	278,872,000	854,218,800

7 OTHER EXPENSES

	2014	2013
	HK$	*HK$*
Communications	**2,940,485**	2,154,306
Professional service fees, including listing costs	**11,486,081**	13,371,287
Auditor's remuneration	**3,085,378**	2,762,709
Motor vehicle expenses	**8,355,698**	5,104,514
Travelling	**40,259,537**	27,464,227
Insurance	**3,471,975**	1,934,679
Office utilities	**23,577,394**	15,603,515
Other tax-related expenses and custom duties *(Note (i))*	**12,083,408**	16,336,766
Bank charges	**2,091,722**	1,208,858
Agency fee *(Note (ii))*	**18,908,920**	–
Trade receivables written off during the year as uncollectible	**–**	2,000,277
Provision for impairment of inventories	**11,467,087**	2,181,827
Write off of other receivables	**1,256,687**	–
Others	**8,884,150**	4,611,877
	147,868,522	94,734,842

Note:

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

(ii) Agency fee refers to the engagement of an agent for collection of trade receivables from the Group's certain debtors.

8 OTHER (LOSSES)/GAINS

	2014	2013
	HK$	*HK$*
Foreign exchange losses	**(7,425,986)**	(109,270)
Loss on disposals of property, plant and equipment	**(708,706)**	(67,393)
Fair value change on forward share exchange contract	**–**	561,246
Government grants	**353,276**	2,632,599
Others	**(30,077)**	246,246
	(7,811,493)	3,263,428

9 FINANCE INCOME AND COSTS

	2014 HK$	2013 HK$
Interest expenses:		
– Bank borrowings	**(26,532,539)**	(11,044,915)
– Provision for impairment of trade receivables *(Note 4)*	**(10,179,054)**	(7,124,977)
– Net foreign exchange (losses)/gains on financing activities	**(1,078,716)**	5,181,157
– Loans from a related party	**(3,075,958)**	–
Less: amounts capitalised on qualifying assets	**2,865,500**	–
Finance costs	**(38,000,767)**	(12,988,735)
Finance income:		
– Interest income on short-term bank deposits	**4,468,297**	5,270,885
– Gain on net monetary position	**14,699,143**	7,473,618
Finance income	**19,167,440**	12,744,503
Net finance costs	**(18,833,327)**	(244,232)

10 INCOME TAX EXPENSE

	2014 HK$	2013 HK$
Current tax		
– Hong Kong profits tax	**–**	17,298,690
– PRC enterprise income tax	**4,885,229**	28,612,077
– Other tax	**227,859**	1,550,020
	5,113,088	47,460,787
Under/(over) provision in prior years		
– Hong Kong profits tax	**267,608**	(5,145)
Deferred tax	**(4,066,452)**	1,498,837
Income tax expense	**1,314,244**	48,954,479

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% (2013: 16.5%) during the year.

(ii) PRC Enterprise Income Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "**CIT Law**"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the Enterprise Income Tax rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

As at 31 December 2014, Petro-king Oilfield Technology Limited and Shenzhen Fluid Science & Technology Co., Limited were approved by relevant local tax bureau authorities as the High and New Technological Enterprise, and was entitled to a preferential EIT rate of 15% (2013: 25% and 15%) during the year.

The High and New Technological Enterprise qualification is subjected to be renewed every 3 years. Companies are required to meet certain criteria such as qualified research & development expenses reaching a designated percentage of total revenue, employing certain number of scientific technology and research and development personnel and having certain percentage of income from sale of new/ high technology products etc.

(iii) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% for the year ended 31 December 2014 (2013: 17%).

(iv) Venezuela corporate tax

Subsidiary established in Venezuela is subject to Venezuelan corporate tax at a rate of 34% (2013: 34%) for the year ended 31 December 2014.

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

	2014	2013
	HK$	*HK$*
(Loss)/profit before income tax	**(416,833,303)**	259,460,626
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective entities	**(77,816,166)**	47,902,042
– Under/(over) – provision of taxation for prior years	**267,608**	(5,145)
– Income not subject to tax	**(452,785)**	(708,065)
– Expenses not deductible for tax purposes	**43,033,881**	1,764,380
– Tax losses for which no deferred tax assets was recognised	**36,281,706**	1,267
Income tax expense	**1,314,244**	48,954,479

The weighted average applicable tax rate was 19% (2013: 19%).

11 (LOSSES)/EARNINGS PER SHARE FOR THE (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2014	2013
	HK$	*HK$*
		(As restated)
(Loss)/profit attributable to owners of the Company	**(423,081,483)**	196,600,131
Weighted average number of ordinary shares in issue (number of shares)	**1,110,295,719**	1,019,153,913
Incremental shares from assumed exercise of share options granted	**–**	11,547,663
Diluted weighted average number of shares	**1,110,295,719**	1,030,701,576
Basic (losses)/earnings per share *(HK$ cents)*	**(38)**	19
Diluted (losses)/earnings per share *(HK$ cents)*	**(38)**	19

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

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase losses per share.

Diluted losses per share for the year ended 31 December 2014 was the same as basic losses per share since all potential ordinary shares are anti-dilutive.

For the years ended 31 December 2014 and 2013, the Company had one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

On 3 February 2015, the Group completed rights issue of 154,341,411 rights shares at HK$0.98 per rights share on the basis of one rights share for every seven existing shares held on 12 January 2015. The basic and diluted earnings per share for the year ended 31 December 2014 and 2013 have been adjusted and restated respectively to take into account the rights issue in which the right shares are issued at a discount on market price subsequent to the year ended 31 December 2014. The weighted average number of shares outstanding was retrospectively increased to reflect the discount in the rights issue. For the year ended 31 December 2013, the weighted average of number of ordinary shares in issue and the incremental shares from assumed exercise of share options granted were 989,292,933 and 11,209,319 respectively before reinstatement.

12 DIVIDEND

The Board of Company does not recommend the payment of final dividend for the year ended 31 December 2014. A dividend of HK$0.05 per share with total amount of HK$53,405,022 was declared and paid in respect of the year ended 31 December 2013.

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

Shareholders whose names appear on the register of members of the Company on record date are entitled to payment of a final dividend. The total payment of final dividend can be different from total proposed dividend as determined at year end, when there is change in outstanding number of ordinary shares during the period.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

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 loss 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.

Emphasis of matter

We draw your attention to Note 2.1.1 to the consolidated financial statements, which states that the Group reported net loss attributable to owners of approximately HK$423,081,000 and operating cash outflow of approximately HK$85,248,000 during the year ended 31 December 2014. In addition, the Group breached certain covenant requirements of a term loan amounting to US$40,000,000 as at 31 December 2014. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate that the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2014, the Group recorded a total revenue of HK$705.2 million, representing a decrease of HK$355.2 million or 34%, from 1,060.4 million in 2013. The Group posted an operating loss of HK$398.0 million in 2014 against the operating profit of HK$259.7 million in 2013. The operating profit margin was -56% in 2014 against the operating profit margin of 24% in 2013. The Group recorded a net loss of HK$418.1 million in 2014 against a net profit of HK$210.5 million in 2013. The Group's net profit margin was -59% in 2014 against the net profit margin of 20% in 2013. The negative operating profit margin and negative net profit margin in 2014 were mainly attributable to the decrease in revenue and the expanded business scale in 2014, as well as the provision for impairment of trade receivables of HK$280.3 million.

In 2014, the decrease in revenue was mainly attributable to the general slowdown in business activities of the Group's major customers in China and the risk control measures taken by the Group in South America. The Group's revenue from the China market dropped by 26% mainly due to (1). the dramatic decline in demand for production enhancement services, and (2). the decline in demand for oilfield services tools and equipment due to the current slow-down of the industry. However, even during the downturn of the industry, our drilling department recorded a significant growth due to the introduction of our turbine drilling tools and oil-based mud to the market.

The revenue from the overseas market declined by 45%, mainly due to the risk control measures taken by the Group as a result of the unfavorable domestic situation in Venezuela and the slump of the international oil price. Nevertheless, the Group seized other business opportunities in the overseas markets and recorded a significant growth in business in the Middle East.

A provision for impairment of trade receivables of HK$280.3 million was made, in response to the slow payment from the customer in Venezuela.

Geographical Market Analysis

Set out below is the revenue analysis by geographical area:

	2014	2013	Approximate percentage change	**Approximate percentage of total revenue in 2014**	Approximate percentage of total revenue in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
China market	**465.4**	625.8	-26%	**66%**	59%
Overseas market	**239.8**	434.6	-45%	**34%**	41%
Total	**705.2**	1060.4	-34%	**100%**	100%

The Group's revenue from the China market decreased by HK$160.4 million or approximately 26% to HK$465.4 million in 2014 from HK$625.8 million in 2013. The drop in revenue from the China market was mainly due to the general decline in the demand of high-end oilfield services. In particular, a significant decrease in the revenue from the production enhancement services in Northern China was recorded.

The Group's revenue from overseas market decreased by HK$194.8 million or approximately 45% to HK$239.8 million in 2014 from the HK$434.6 million in 2013. The decrease in revenue from the overseas markets was mainly attributable to the substantial decrease in revenue from South America which was caused by the slow payment of our trade receivables by our customer in Venezuela. In the Middle East, a substantial growth in revenue was recorded. The development of the Group's business there has been encouraging.

Revenue from the China market

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

	2014	2013	Approximate percentage change	**Approximate percentage of total in 2014**	Approximate percentage of total in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Northern China	**165.5**	310.6	-47%	**36%**	50%
Northwestern China	**76.0**	21.2	258%	**16%**	3%
Southwestern China	**56.0**	48.5	15%	**12%**	8%
Other regions in China	**167.9**	245.5	-32%	**36%**	39%
Total	**465.4**	625.8	-26%	**100%**	100%

In 2014, the Group's revenue from Northern China amounted to HK$165.5 million, which was down by HK$145.1 million or approximately 47% from HK$310.6 million in 2013. The drop in revenue was mainly due to the general slowdown in business volume of tight gas/oil wells in the Ordos Basin for multistage fracturing services and the drop in average-price of the services per well compared to that in the same period last year. The average-price of services per well decreased mainly because the Group was able to save cost by replacing the tools with the self-made ones, and passed the benefit of the saved cost to our customers.

The revenue from Northwestern China amounted to HK$76.0 million in 2014, up by HK$54.8 million or approximately 258% from HK$21.2 million in 2013. The significant increase in revenue in Northwestern China was mainly due to the success of the promotion of our drilling services with our self-developed turbine drilling tools and oil-based mud.

The revenue from Southwestern China amounted to HK$56.0 million in 2014, up by HK$7.5 million or approximately 15% from HK$48.5 million in 2013. The increase in revenue in Southwestern China was mainly due to the business development of the non-national oil company ("**NOC**") shale gas projects.

The revenue from other regions in China amounted to HK$167.9 million in 2014, which has decreased by HK$77.6 million or approximately 32% from HK$245.5 million in 2013. The significant decrease in revenue in other regions in China was mainly due to the general decline of the demand for oilfield services during the period.

Revenue from the overseas markets

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

	2014	2013	Approximate percentage change	**Approximate percentage of total in 2014**	Approximate percentage of total in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
South America	**71.7**	358.4	-80%	**30%**	82%
Middle East *(Note 1)*	**146.3**	55.0	166%	**61%**	13%
Other overseas regions *(Note 2)*	**21.8**	21.2	3%	**9%**	5%
Total	**239.8**	434.6	-45%	**100%**	100%

Note 1: The Middle East region includes Iraq, the United Arab Emirates etc.

Note 2: Other overseas regions include Russia, Singapore, Indonesia, Kazakhstan, Uganda and the Gabonese Republic etc.

The Group's revenue from the overseas market in 2014 was mainly from the Middle East. The revenue from the Middle East increased by HK$91.3 million or approximately 166%, to HK$146.3 million in 2014 from HK$55.0 million in 2013. The Group's business development in the Middle East was remarkable in 2014. In March 2014, the Group won two biddings for the provision of various oilfield services to the oilfield projects owned by international oil companies ("**IOCs**") in Iraq, where we applied our self-developed down-hole completion tools to IOCs projects for the first time. We installed our tools in two oilfield projects in the fourth quarter of 2014. Our services and products gained high recognition from our customers and helped us gain more contracts from these IOCs and Chinese NOCs in the area. The growth in business in the Middle East is expected to continue its momentum in 2015.

However, the Group's revenue from South America amounted to HK$71.7 million, down by HK$286.7 million or approximately 80%, from HK$358.4 million in 2013. The drop in revenue was caused by the slow payment of our trade receivable by a major customer in Venezuela. This was a setback for the Group in 2014. The customer's financial strength had been weakened by the political instability in country since early 2013 and the slump in international oil price since the second half of 2014. The Group has taken risk control measures to limit the exposure of its business to the area. During 2014, the Group received approximately HK$122.3 million in payment from the customer.

Business Segment Analysis

Set out below is the revenue analysis by business segment:

	2014	2013	Approximate percentage change	**Approximate percentage of total revenue in 2014**	Approximate percentage of total revenue in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Oilfield project services	**433.2**	739.2	-41%	**61%**	70%
Consultancy services	**89.1**	40.5	120%	**13%**	4%
Manufacturing and sales of tools and equipment	**182.9**	280.7	-35%	**26%**	26%
Total	**705.2**	1060.4	-34%	**100%**	100%

In 2014, the Group's revenue from oilfield project services amounted to HK$433.2 million, accounting for approximately 61% of the Group's total revenue, which decreased by HK$306.0 million or approximately 41% from HK$739.2 million in 2013. The drop in the revenue from oilfield project services was mainly due to the general downturn in the industry, particularly the decrease in revenue from multi-stage fracturing services in Northern China and the decrease in revenue in South America as a result of the risk acontrol mesaures taken by the Group.

The Group's revenue from consultancy services amounted to HK$89.1 million in 2014, which increased by HK$48.6 million or approximately 120% from HK$40.5 million in 2013. The major reason for the growth was the development of the business in the Middle East.

In 2014, the construction of the Huizhou base was completed and the production there was ramped up in the fourth quarter of 2014. The Group's revenue from manufacturing and sales of tools and equipment decreased by HK$97.8 million or approximately 35% to HK$182.9 million in 2014, from HK$280.7 million in 2013. The drop in revenue was partly due to the general decline in demand in the oilfield service industry, and partly due to the halt of production for ramping up the capacity of the new factory in Huizhou.

Oilfield Project Services

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

	2014	2013	Approximate percentage change	**Approximate percentage of total in 2014**	Approximate percentage of total in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Drilling	**179.1**	66.5	169%	**41%**	9%
Well completion	**28.6**	253.4	-89%	**7%**	34%
Production enhancement	**225.5**	419.3	-46%	**52%**	57%
Total	**433.2**	739.2	-41%	**100%**	100%

Drilling services

The Group's revenue from drilling services increased significantly by HK$112.6 million or approximately 169% to HK$179.1 million in 2014 compared to HK$66.5 million in 2013. The growth was mainly attributable to the successful application of our turbine drilling tools and oil-based mud. In particular, there is large room for growth in demand for our turbine drilling tools as we are promoting the tools to the international market. In 2014, the Group provided directional drilling or turbine drilling services for 34 wells, of which 31 wells were completed before 31 December 2014 and works at three wells were still in progress as at 31 December 2014. Of the completed wells, 26 wells were in the China market and five wells were in the overseas market.

In 2014, the drilling department of the Group made remarkable achievements by finishing several complicated projects including a fishbone horizontal well in the Liaohe Oilfield, a big-bore well in the Tarim Basin, which was one of the deepest wells in China, and an extended shallow well in northern Shaanxi Province. The accomplishment of tasks in these complicated wells has greatly improved the Group's reputation as a leading high-end oilfield services provider.

Well Completion Services

In 2014, the Group's revenue from well completion services amounted to HK$28.6 million, down by HK$224.8 million or approximately 89% from HK$253.4 million in 2013. In 2013, the Group's revenue from completion services was mainly derived from well completion services and provision of tools to a major customer in Venezuela. However, due to the risk control measures taken to limit the exposure to the customer, we delayed the shipment of some tools and delivery of oilfield services to the customer. These were the major reasons for the drop in revenue at this business segment. In 2014, the Group provided well completion services for 27 wells, of which 22 wells were completed before 31 December 2014 and works at five wells were still in progress as at 31 December 2014. Of the completed wells, 17 wells were in the China market and five wells were in the overseas market.

In the third quarter of 2014, our engineers successfully installed a tubing-retrievable safety-valve in a well in the Tarim Basin, to a depth of about 1,500 meters. The operation with this deep well completion tool helped to avoid hydrate deposit problems in the well. The accomplishment of such work at this challenging well has proven the capability of our engineers.

In the overseas market, we successfully installed the Group's self-developed well completion tools in two oilfields in Southern Iraq owned by IOCs. Our tools were recognised by our customers for their quality and performance, and we received further orders for our tools for the oilfield projects in the same area.

Production Enhancement Services

In 2014, the Group's revenue from production enhancement services amounted to HK$225.5 million, down by HK$193.8 million or approximately 46% from HK$419.3 million in 2013, which was mainly due to the decreases in the revenue from production enhancement service in Northern China in 2014 as mentioned above. In 2014, the Group provided production enhancement services for 135 wells, of which 126 wells were completed before 31 December 2014 and works at nine wells were still in progress as at 31 December 2014. Of the completed wells, 115 wells were in the China market and 11 wells were in the overseas market.

Although the growth of this business segment was limited by a couple of unfavorable factors in China, such as the reform and restructuring of NOCs, the NOCs' move to cut capital expenditure, and the delay of the shale gas projects in the Sichuan Basin, there were new business opportunities in overseas market. We obtained business from a new customer in Central Asia in the fourth quarter of 2014 through an open tender for work at the first batch of 50 wells. We can expect to win more contracts in 2015 after we successfully provide our professional services to the customer.

In the fourth quarter of 2014, the Group provided fracturing services to a shale gas well in Hunan, using our newly developed non-fresh water fracturing fluid system. This technology was jointly developed by the Group and TouGas Oilfield Solution GmbH from Germany. The non-fresh water fracturing fluid system reduces the environmental impact of hydraulic fracturing.

Customer Analysis

	2014	2013	Approximate percentage change	**Approximate percentage of total revenue in 2014**	Approximate percentage of total revenue in 2013
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Customer 1	**71.7**	358.4	-80%	**10%**	34%
Customer 2	**135.7**	333.0	-59%	**19%**	31%
Customer 3	**101.2**	–	N.A	**15%**	–%
Others *(Note)*	**396.6**	369.0	7%	**56%**	35%
Total	**705.2**	1,060.4	-34%	**100%**	100%

Note: Others include CNPC, CNOOC, Winfield, Conocophillips, Venineft, Weatherford, EOG Resource and Shell etc.

The Group is committed to diversifying its customer base so as to reduce the risk of relying heavily on few customers for income. Revenue from Customer 1 decreased by HK$286.7 million or approximately 80% to HK$71.7 million in 2014 compared to HK$358.4 million in 2013. The decrease was mainly due to the Group's measures to manage the risk of slow settlement of the Group's trade receivables from the customer. The revenue from Customer 2 declined by HK$197.3 million or approximately 59%, from HK$333.0 million in 2013 to HK$135.7 million in 2014. The decrease in revenue was mainly due to the decline in revenue from production enhancement services in the Ordos Basin. Customer 3 is a new customer to the Group and the revenue generated from business with that customer amounted to HK$101.2 million in 2014. The revenue from other customers, including two major NOCs in China and a few IOCs, rose by approximately 7% to HK$396.6 million in 2014 from HK$369.0 million in 2013.

Research and Development

As a high-end oilfield services provider, the Group attaches great importance to technology, and prides itself on introducing innovative products and services in a number of areas in oilfield services, such as turbine-drilling, multistage fracturing, surface facilities for safety and surface flow control systems and the use of safety valve, packer, other well-completion and production enhancement tools, drilling fluids and fracturing liquid. In 2014, even during the industry's downturn, the Group still pressed on with technological advancement and enhancement of service capability and capacity. Our technology development team has expanded to 58 experienced engineers. The research and development ("**R&D**") expenses increased to HK$24.6 million in 2014 from HK$14.6 million in 2013. In 2014, the Group made notable advancements in R&D. Our KingFrac™ tools were put into operational use in our projects. Queen Sleeve™ tools have been at the testing stage. The non-fresh water fracturing fluid system has been commercialised. The improved slick water for the fracturing of shale gas wells has been applied to two projects in Guizhou and Hunan.

In order to gain further recognition from IOC, we have the licences for the Group's down-hole completion tools upgraded from American Petroleum Institute ("**API**") V5 and API V6 to API V3. This is a remarkable step for the Group's self-produced products as it has proven that the product quality has attained a high level. Moreover, our tools were sent to our customer, TOTAL E&P Indonesie, for various field and surface tests and obtained positive results with encouraging feedback from the customer such as "Good serviceable", "No defect finding", "The surface test has been achieved without any problem", etc. All these have been encouraging to our R&D team, and it will make further advancements in the future.

At the same time, the Group has been actively innovating technology and applying for patents. The Group was holding one invention patent and 26 utility model patents as at 31 December 2014 and 13 invention patents and four utility model patents were under application as at 31 December 2014.

The Group will continue to develop more down-hole completion tools and fracturing tools, as well as various oilfield service technologies in order to maintain its leading position in the high-end oilfield service sector.

Human Resources

It has always been the Group's belief that its employees are its most valuable assets and the development of each employee has always been the Group's first priority in human resources management. To this end, the Group has developed a modern training system. This system includes the usage of information technology to train our young engineers and the provision of customised business management courses for our managerial personnel. We are eager to improve the Group's employees' professional knowledge and enhance their professional standard.

However, due to the plans on downsizing in respect to the downturn of the industry, the management of Group would like to optimise the human resources by decreasing the number of employees and decreasing the staff cost in general. Such plans have been carried out since early 2015. We believe such measures will benefit the Group during the industry downturn period.

As at 31 December 2014, the Group had 989 employees, representing an increase of 15% from 863 in February 2014. In particular, the number of oilfield service engineers or technical personnel was 381, representing an increase of 22% compared to the 312 in February 2014.

OUTLOOK

Year 2014 was full of challenges for the oilfield services industry in China as it was faced with the budget cut in capital expenditure of the NOCs in the domestic market, the delayed shale gas projects in Sichuan Basin, the outbreak of political unrest in the Middle East, and the recent slump of the international oil price. All these have resulted in harsh market conditions and operating environment for the industry. In view of the uncertainties over the international oil price and the unfavorable business environment, the Group takes a cautious approach in its business plan and financial budget for 2015.

In China, the reform and the group restructuring of NOCs may continue to have impact on the service contracts or order flows to independent oilfield service providers in the short run. If the international oil price continues to remain low, the NOCs may cut capital expenditure in 2015 as well, and this may further affect the business of independent oilfield service providers in China. To cope with the uncertainties in the oilfield services sector in China, the Group will shift certain part of the Group's resources (such as oilfield service equipment and engineers) to the Middle East, Central Asia, Australia and other overseas markets where we believe the Group can have service contracts from our IOC customers. In addition, the Group will review and make necessary adjustment to the current staff structure and compensation packages in order to streamline the cost structure and improve the operation efficiency of the Group's business operations in China.

In the overseas market, we see both risks and opportunities. Our current business development in the Middle East market has been progressing well. Our high-end oilfield services together with our self-developed down-hole completion tools have been successfully introduced to the IOC customers in Iraq and have been highly recognised by our customers. As the Group's professional oilfield services and technology have been gaining market reputation since the mid of 2014, we have been approached by new IOC customers for various technical discussions and received from such customers invitations to participate in tender biddings. We expect our business development with the IOC customers in the Middle East market will continue to progress well in 2015. In addition, as the Group has gained surface engineering contracts from a major NOC customer in Iraq for the provision of 70 sets of surface control system, system upgrading services of 90 wells and oilfield production management services, we believe that our business operations in the Middle East will be contributing a significant portion of the Group's operating revenue in 2015.

The collection of trade receivable from our customer in Venezuela remains an issue, which has, to a certain extent, delayed our execution of business contracts and orders in the region in order to manage the Group's business exposure in Venezuela. We believe that the recent slump in international oil price has weakened the financial strength of the customer and thus has a further impact on the collection issue of the Group. As such, we are circumspect in our business plan in the country for 2015. Currently, the Group will maintain its business operations in Venezuela but will closely monitor the settlement from the customer and will execute the contracts cautiously.

Looking ahead to 2015, we will continue to put effort in marketing and promotional activities of the Group's high-end oilfield services, tools and technology in order to gain further recognition on the Group's services and products from NOC and IOC. In light of the recent development of the oil and gas industry as well as the oilfield service sector, the Group will control its pace of its overall business development plan by downsizing business operations in certain regions with less opportunity and reduce the magnitude of capital expenditure investment in 2015.

FINANCIAL REVIEW OF CONTINUING OPERATIONS

Revenue

The Group's revenue amounted to HK$705.2 million in 2014, which has decreased by 34% as compared to that of HK$1,060.4 million in 2013, representing a decrease of approximately HK$355.2 million. In particular, the revenue from oilfield project services amounted to HK$433.2 million in 2014, which has dropped by HK$306.0 million compared with a year earlier. This decrease was mainly due to the falling revenues of well completion and production enhancement, which have dropped by approximately 89% and 46% respectively compared with a year earlier. The revenue from manufacturing and sales of tools and equipment amounted to HK$182.9 million in 2014, representing a decrease of HK$97.8 million when compared to the revenue in 2013. Besides, the revenue of consultancy services increased by approximately 120%, from approximately HK$40.5 million in the corresponding period of 2013 to approximately HK$89.1 million for this year.

Material Costs

During the year, the Group's material costs were HK$220.3 million, which has dropped by HK$94.6 million or 30% as compared to that of HK$314.9 million in 2013. The decrease of material costs were in line with the decrease of revenue in 2014.

Employee Benefit Expenses

During the year, the Group's employee benefit expenses were HK$214.9 million, which has increased by HK$46.5 million or 28% as compared to that of HK$168.4 million in 2013. This change was mainly due to the number of the Group's employees has increased substantially in 2014.

Depreciation of Property, Plant and Equipment

During the year, the depreciation of property, plant and equipment ("**PPE**") amounted to HK$61.2 million, which has increased by HK$41.6 million or 212% as compared to that of HK$19.6 million in 2013. The increase of depreciation was the result of the increment in PPE primarily includes items such as buildings at Huizhou base, fracturing trucks, cranes and other motor vehicles.

Distribution Expenses

During the year, the Group's distribution expenses amounted to HK$22.2 million, which has increased by HK$3.6 million or approximately 19% from HK$18.6 million in 2013. It was mainly due to more transportation of tools and equipment to distant areas.

Technical Service Fee

During the year, the Group's technical service fee amounted to HK$74.7 million, which has decreased by HK$50.0 million or approximately 40% from HK$124.7 million in 2013, and was in line with the decrease in revenue from oilfield services projects.

Provision for Impairment of Trade Receivables

During this year, the provision for impairment of trade receivables amounted to HK$280.3 million. The management considered certain customers of the Group experienced significant and rapid deterioration in the credit ratings as well as other market parameters which indicate an increase in the credit default risk. Therefore, management has determined to recognise the impairment of trade receivables from a customer in Venezuela.

Other Expenses

During the year, the Group's other expenses were HK$147.9 million, which has increased by HK$53.2 million or approximately 56% from HK$94.7 million in 2013. It was mainly attributable to the increase of agency fee and travelling expenses and the provision for impairment of inventories.

Operating (loss)/profit

During the year, the Group's operating loss amounted to HK$398.0 million, which has dropped by HK$657.7 million or 253% as compared to the operating profit of HK$259.7 million in 2013. This change was partly due to the decrease of revenue in 2014, representing a drop of 34% compared with a year earlier; and partly due to the increase of operating costs, approximately increased by 37% compared with a year earlier; in particular, a large number of provision for impairment of trade receivables amounted to approximately HK$280.3 million in 2014.

Net Finance Costs

During the year, the Group's net finance costs amounted to HK$18.8 million, which has increased by HK$18.6 million as compared to that of HK$0.2 million in 2013. The increase mainly attributable to the increase of bank loans, and the increase of finance costs were in line with the increase of bank borrowings in 2014.

Income Tax Expense

During the year, the Group's income tax expense amounted to HK$1.3 million.

(Loss)/profit for the year

During the year, the Group's net loss amounted to HK$418.1 million, which has decreased by approximately HK$628.6 million as compared to the net profit in 2013.

(Loss)/profit Attributable to Owners of the Company

During the year, the Group's profit attributable to owners of the company amounted to negative HK$423.1 million, which has decreased by HK$619.7 million as compared to that of HK$196.6 million in 2013.

Property, Plant and Equipment

Property, plant and equipment normally include items such as buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, construction in progress and plant and machinery. As at 31 December 2014, the Group's property, plant and equipment amounted to HK$815.1 million, which has increased by HK$521.7 million or approximately 178% from HK$293.4 million in 2013. The increase was primarily due to the purchase of fracturing trucks for expected growth in business in 2015, and also contributed by the completion of the processing base in Huizhou.

Intangible Assets

During this year, the Group's intangible assets amounted to HK$567.3 million, representing a slightly decrease of approximately HK$2.8 million, when compared to the corresponding period of last year.

Inventories

As at 31 December 2014, the Group's inventories amounted to HK$368.0 million, representing an increase of HK$69.4 million as compared to that of HK$298.6 million in 2013. The increase of inventories was partly due to the increase in tools for preparation for expected growth in business in 2015 and partly contributed by the increase in raw materials, assembling materials, work in progress and finished goods.

Trade Receivables

As at 31 December 2014, the Group's trade receivables amounted to HK$778.4 million, which has decreased by HK$226.0 million as compared to that of HK$1,004.4 million in 2013. This decrease was primarily due to that the management has determined to record a provision for doubtful receivables as at 31 December 2014 amounted to HK$297.6 million (2013: HK$7.1 million). In particular, based on the assessment of the credit quality of customers, the Group recorded a provision amounted to HK$237.9 million from one of the Group's major customers located in Venezuela.

Trade Payables

As at 31 December 2014, the Group's trade payables were HK$312.0 million, which has increased by HK$68.6 million as compared to that of HK$243.4 million in 2013. This increase was mainly caused by the Group obtaining longer credit term from suppliers.

Liquidity and Capital Resources

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital, while maximising the return to shareholders through improving the debts and equity balance. As at 31 December 2014, the Group's cash and cash equivalent amounted to HK$55.3 million, which was mainly held in HK$, RMB and US$. HK$200.2 million cash was pledged in the bank deposits for the Group's borrowings and bidding bonds.

During the year ended 31 December 2014, the Group reported net loss attributable to owners of approximately HK$423,081,000 and operating cash outflow of approximately HK$85,248,000 due to the sluggish global oil and gas market that caused significant decline in new oilfield service orders and delay in realising trade receivables. As at 31 December 2014, the Group had total bank borrowings of approximately HK$749,000,000, of which approximately HK$712,699,000 will be due in the coming twelve months. As at 31 December 2014, the Group had cash and cash equivalents and pledged bank deposits of approximately HK$55,339,000 and HK$200,154,000, respectively.

Pursuant to the requirements of the Term Loan, the Group is obliged to comply with restrictive financial covenants and certain undertakings, including not to incur additional financial indebtedness by the Group. As at 31 December 2014, the Term Loan amounted to US$40,000,000 (equivalent to HK$312,000,000), which has scheduled repayment dates from 2015 to 2017. The Group is required to file a compliance certificate and to supply to the financiers financial statements for the year ended 31 December 2014. Based on the Group's financial statements for the year ended 31 December 2014, the Group has breached certain of these financial covenants and undertakings. On 12 March 2015, the Group entered into a placing agreement (the "**Placing Agreement**") with a placing agent for the proposed issuance of convertible bonds, which is conditional upon, amongst others, the waiver obtained from the bank. The breach of the restrictive financial covenants constituted events of default under the Term Loan agreement, which may cause the relevant Term Loan of HK$312,000,000 to become immediately repayable. In this connection, the Group has classified the entire HK$312,000,000 outstanding balance of the Term Loan under current liabilities. This has increased the Group's total borrowings due within a year to approximately HK$712,699,000 as at 31 December 2014 and the Group did not have any committed long-term financing to fund the repayment of such borrowings at year end.

In view of such circumstances, the directors of the Company and the Group's management have given careful consideration to the future liquidity and performance of the Group and its available sources of financing to assess whether the Group will have sufficient working capital to fulfill its financial obligations as a going concern. The Group has implemented a number of measures to improve its financial position and alleviate its liquidity pressure, including:

(i) The Group has been actively seeking new sources of long-term financing to refinance the Group's borrowings due within a year. On 2 February 2015, the Group completed the rights issue of 154,341,411 ordinary shares of the Company at HK$0.98 per rights share and obtained net proceeds of HK$147,930,000.

(ii) On 25 March 2015, the Group has obtained waiver from all of the financiers of the Term Loan in respect of those restrictive financial covenants that the Group has breached and the compliance of incurrence of additional financial indebtedness arising from the proposed issuance of the Convertible Bonds. Under the terms of the waiver, the Group is required and has agreed to apply the net proceeds from the expected issuance of the convertible bonds to partial repay the Term Loan no later than 30 April 2015. The financiers have agreed to defer the due date of the remaining outstanding principal of the Term Loan of US$20,000,000 (equivalent to approximately HK$156,000,000) to 31 January 2016.

(iii) On 30 March 2015, the Group has satisfied all the conditions set out in the Placing Agreement and obtained the necessary regulatory approvals for the issuance of Convertible Bonds to raise HK$153,000,000. The final issuance of the Convertible Bonds is subject to the completion of certain administrative procedures. The net proceeds from the issuance of Convertible Bonds will be used for partial repayment of the Term Loan.

(iv) The Group is in advance discussions with a financier to obtain a long-term borrowing facility of up to HK$150,000,000 to be secured by the Group's certain property, plant and equipment.

(v) The Group has engaged in on-going discussions with its financiers to renew its short-term bank borrowings and borrowing facilities. As at the date of this announcement, the Group has approximately HK$342,252,000 unutilised uncommitted borrowing facilities. The Group's management will continue to negotiate with the financiers to renew the Group's short-term bank borrowings as and when they fall due in the coming twelve months.

(vi) The Group has intensified its efforts to collect outstanding trade receivables from its customers to reduce the Group's working capital requirements. It is also continuing its efforts to increase its income from overseas operations, in particular in the Middle East, to reduce its reliance on certain major customers in the PRC and South America. At the same time, the Group is implementing measures to contain its operating and capital expenditures with an aim to enhance the Group's liquidity and profitability in the long run.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and Bs. Foreign exchange risk mainly arises from trade and other receivables, cash and cash equivalents, trade and other payables and bank borrowings in foreign currencies.

Contractual Obligations

The Group's contractual obligations include the capital commitments and the payment obligations under operating lease arrangements. The capital commitments mainly represent PPE purchase and land use right acquisition contracts which amounted to HK$141.6 million as at 31 December 2014. The Group leases various offices, warehouses and a land in Singapore under non-cancellable operating lease agreements. The Group's commitment under operating leases amounted to HK$48.5 million as at 31 December 2014.

Contingent Liabilities

As at 31 December 2014, a contracting party initiated legal proceedings against the Group alleging a failure to provide stipulated amount of drilling works under the contracts entered in 2012 and 2013, and claimed for a total amount of HK$30.6 million. The Group's legal counsel indicates that it is not probable that there is an outflow of resources embodying economic benefits will be required to settle any obligation.

Off-balance Sheet Arrangements

As at 31 December 2014, the Group did not have any off-balance sheet arrangements.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015, both dates inclusive, during which period no share transfers will be registered. In order to determine the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at its office situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 June 2015.

CHANGE OF NAME

In order to reconcile the name of the Company with the Group's principal business name in the China market and the international market, effective from 30 May 2014, the name of the Company has been changed from "Termbray Petro-king Oilfield Services Limited 添利百勤油田服務有限公司" to "Petro-king Oilfield Services Limited 百勤油田服務有限公司".

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**Code Provisions**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange. During the reporting period, the Company has complied with the Code Provisions save and except for the following deviation:

Code A.2.1

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct for carrying out transactions in the Company's securities by the Directors. After specific enquiry with the Directors, the Company confirms that all Directors have fully complied with the required standard of dealings as set out in the Model Code during the reporting period.

EVENTS AFTER REPORTING PERIOD

(a) Rights Issue

On 3 February 2015, the Group completed rights issue of 154,341,411 rights shares at HK$0.98 per rights share on the basis of one rights share for every seven existing shares held on 12 January 2015. As a result of the rights issue, adjustments are required to be made to the exercise prices of and the number of the shares falling to be issued under the outstanding share options in accordance with the terms of the share option scheme and the share option scheme and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules.

(b) Exchange rates in Venezuela

As at 31 December 2014, there are three official exchange rates in Venzuela, which are Cencoex, Sicad I and Sicad II. On 12 February 2015, Venezuela foreign currency legislation modified the exchange mechanisms by unifying Sicad I and Sicad II (Sicad) and introduced a new legal exchange rate (known as SIMADI) which permits foreign exchange barter and cash transactions.

In preparing the Group's consolidated financial statements for the year ended 31 December 2014, all components of the financial statements were translated at Cencoex (the official exchange rate of 6.3 Bolivares Furetes per U.S. dollar). The Group will continue to apply Cencoex in preparing consolidated financial statements.

(c) Convertible Bonds

On 30 March 2015, the Group has satisfied all the conditions and obtained the necessary regulatory approvals to complete the issuance of certain three-year 5% convertible bonds ("**Convertible Bonds**") to raise HK$153,000,000. The net proceeds from the issuance of Convertible Bonds will be used for partial repayment of the Term Loan.

(d) Waivers obtained for the Term Loan

On 25 March 2015, the Group has obtained waiver from all of the financiers of the Term Loan in respect of those restrictive financial covenants that the Group has breached and the compliance of incurrence of additional financial indebtedness arising from the proposed issuance of the Convertible Bonds. Under the terms of the waiver, the Group is required and has agreed to apply the net proceeds from the expected issuance of the convertible bonds to partial repay the Term Loan no later than 30 April 2015. The financiers have agreed to defer the due date of the remaining outstanding principal of the Term Loan of US$20,000,000 (equivalent to approximately HK$156,000,000) to 31 January 2016.

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

For 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.

AUDIT COMMITTEE

Pursuant to the requirements of the Code Provisions and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") which composes of all three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur, chairman of the Audit Committee, Mr. He Shenghou and Mr. Tong Hin Wor. The consolidated financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee.

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

Hong Kong, 30 March 2015

As at the date of this announcement, the executive Directors are Mr. Wang Jinlong and Mr. Zhao Jindong; the non-executive Directors are Mr. Lee Tommy, Ms. Ma Hua and Mr. Ko Po Ming; and the independent non-executive Directors are Mr. He Shenghou, Mr. Tong Hin Wor and Mr. Wong Lap Tat Arthur.