TERMBRAY PETRO-KING OILFIELD SERVICES LIMITED
添利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 2013

HIGHLIGHTS

- As a result of successful vertical integration and costs saving measures, the Group's operating profit from continuing operations increased by 44% to HK$259.7 million in 2013 from HK$179.9 million in 2012, while the Group's revenue from continuing operations increased slightly by 0.3% to HK$1,060.4 million in 2013, compared to that of HK$1,057.4 million in 2012.
- Net profit from continuing operations increased by 21% to HK$210.5 million in 2013 from HK$174.1 million in 2012. Excluding the one-off gain of HK$47.7 million on disposal of a jointly controlled entity in 2012, net profit from continuing operations increased by 67% in 2013.
- Profit attributable to owners of the Company from continuing operations increased by 17% to HK$196.6 million in 2013 from HK$167.7 million in 2012.
- Earnings per share to owners of the Company amounted to 20 HK cents in 2013, which has dropped by 13% as compared to that of 23 HK cents in 2012.
- The Board recommends the payment of a final dividend of 5 HK cents per share of the Company for the year ended 31 December 2013 (2012: Nil), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Termbray Petro-king Oilfield Services Limited (the "Company"), I am pleased to present to the shareholders of the Company the annual results of the Company and its subsidiaries (collectively the "Group", "we" or "our") for the year ended 31 December 2013.

Overview

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

- Started to build research and development and manufacturing facilities in Huizhou ("Huizhou Base")

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

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

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

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

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

Despite the challenges as mentioned above, the Group had achieved certain business goals in 2013; expanded its customer bases; increased utilisation of its self developed and manufactured tools; and enhanced its service capability and capacity in various high-end oilfield service lines.

Expanded Customer Base

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

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

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

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

Development of Services and Products

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

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

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

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

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

In 2013, the Group started batch production of its self-developed multistage fracturing packers with a target of increasing the proportion of self-made tools used for multistage fracturing projects to above 50% of all tools. In addition, the Group's research and development team had achieved a major breakthrough in drilling technology, and the Group had successfully developed its own turbine drilling tools and put into commercial operation of its self-developed directional turbine drilling technology in Tarim Basin. To further expand the Group's product variety of completion tools and fracturing tools, the Group had introduced to the customers a new series of safety valves and packers, including 9.625 inches monbore packer, 7 inches safety valve and four new type hanger packers, and developed a new generation of hydraulic jetting tool with bottom packer.

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

Outlook

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

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

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

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

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

Appreciation

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

Wang Jinlong
Chairman

Hong Kong, 20 March 2014

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2013 *HK$*	2012 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment		**293,367,628**	157,092,704
Intangible assets		**570,086,032**	571,619,992
Land use right		**12,042,244**	–
Other receivables, deposits and prepayments		**15,483,332**	11,325,756
Deferred tax assets		**2,938,116**	1,590,783
		893,917,352	741,629,235
Current assets			
Inventories		**298,595,476**	163,269,915
Trade receivables	*4*	**1,004,403,841**	649,550,014
Other receivables, deposits and prepayments		**146,103,272**	106,243,772
Pledged bank deposits		**160,699,613**	34,832,005
Cash and cash equivalents		**345,446,842**	136,810,868
		1,955,249,044	1,090,706,574
Total assets		**2,849,166,396**	1,832,335,809
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,634,591,001**	671,891,801
Other reserves		**36,174,501**	50,496,932
Retained earnings			
– Proposed dividends		**53,405,022**	120,000,000
– Others		**466,872,665**	210,214,537
		2,191,043,189	1,052,603,270
Non-controlling interests		**34,523,674**	38,234,999
Total equity		**2,225,566,863**	1,090,838,269

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2013** *HK$*	2012 *HK$*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**14,589,423**	11,821,404
		14,589,423	11,821,404
Current liabilities			
Trade payables	*5*	**243,373,379**	298,241,083
Other payables and accruals		**109,464,337**	198,961,762
Forward share exchange contract		**–**	1,335,185
Current income tax liabilities		**22,749,194**	32,448,603
Bank borrowings		**233,423,200**	198,689,503
		609,010,110	729,676,136
Total liabilities		**623,599,533**	741,497,540
Total equity and liabilities		**2,849,166,396**	1,832,335,809
Net current assets		**1,346,238,934**	361,030,438
Total assets less current liabilities		**2,240,156,286**	1,102,659,673

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 HK$	2012 HK$
Continuing operations			
Revenue	*3*	**1,060,434,801**	1,057,393,236
Other income		**2,406,217**	5,244,813
Operating costs			
Material costs		**(314,913,278)**	(507,776,146)
Depreciation of property, plant and equipment		**(19,615,366)**	(7,233,526)
Amortisation of intangible assets		**(8,448,875)**	(11,952,313)
Operating lease rental		**(13,772,219)**	(9,797,992)
Employee benefit expenses		**(168,385,310)**	(80,507,304)
Distribution expenses		**(18,571,683)**	(23,398,007)
Technical service fee		**(124,709,462)**	(140,647,249)
Research and development expenses		**(14,580,370)**	(5,670,769)
Entertainment and marketing expenses		**(28,668,183)**	(17,280,244)
Other expenses	*6*	**(94,734,842)**	(71,627,004)
Other gains/(losses)	*7*	**3,263,428**	(6,867,714)
Operating profit		**259,704,858**	179,879,781
Finance income	*8*	**12,744,503**	120,644
Finance costs	*8*	**(12,988,735)**	(7,503,593)
Finance costs, net		**(244,232)**	(7,382,949)
Share of loss of a jointly controlled entity		**–**	(43,226)
Gain on disposal of a jointly controlled entity		**–**	47,742,893
Profit before income tax		**259,460,626**	220,196,499
Income tax expense	*9*	**(48,954,479)**	(46,114,300)
Profit for the year from continuing operations		**210,506,147**	174,082,199
Discontinued operations			
Profit for the year from discontinued operations		**–**	10,608,779
Profit for the year		**210,506,147**	184,690,978
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Currency translation differences		**37,656,636**	1,665,300
Total comprehensive income for the year		**248,162,783**	186,356,278
Profit for the year attributable to:			
Owners of the Company		**196,600,131**	178,346,753
Non-controlling interests		**13,906,016**	6,344,225
		210,506,147	184,690,978

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2013** ***HK$***	2012 *HK$*
Total comprehensive income for the year attributable to:			
Owners of the Company		**233,213,449**	179,921,232
Non-controlling interests		**14,949,334**	6,435,046
		248,162,783	186,356,278
Profit attributable to owners of the Company arises from:			
Continuing operations		**196,600,131**	167,737,974
Discontinued operations		**–**	10,608,779
		196,600,131	178,346,753
Total comprehensive income attributable to owners of the Company			
Continuing operations		**233,213,449**	169,294,674
Discontinued operations		**–**	10,626,558
		233,213,449	179,921,232
Earnings per share from continuing and discontinued operating attributable to owners of the Company during the year	*10*		
Basic earnings per share			
From continuing operations *(HK$ cents)*		**20**	22
From discontinued operations *(HK$ cents)*		**–**	1
From profit for the year *(HK$ cents)*		**20**	23
Diluted earnings per share			
From continuing operations *(HK$ cents)*		**20**	22
From discontinued operations *(HK$ cents)*		**–**	1
From profit for the year *(HK$ cents)*		**20**	23
Dividends	*11*	**53,405,022**	120,000,000

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Venezuela as a hyperinflationary economy

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

Pursuant to the requirements of IAS 29, the Venezuelan subsidiary which reports its financial statements in Bs, i.e. currency of a hyperinflationary economy, should be stated in terms of the measuring unit current on the date of the financial statements. All balances that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All statement of comprehensive income components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognised in the financial statements. The restatement of the current financial statement amounts was carried out using Venezuela's consumer price index (INPC). In December 2013, the index was 498.1 (2012: 318.9) and the year-over-year change in the index was 56.2%.

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

In preparing the Group's consolidated financial statements, all components of the financial statements of the Venezuelan subsidiary were translated at the official exchange rate, which at 31 December 2013 was 6.30 Bs per United States dollar (or 1.2307 Hong Kong dollars per Bs).

2.2 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 2013, and have been adopted in preparing the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

3 SEGMENT INFORMATION

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

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

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

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

(a) Revenue

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

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

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

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

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

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

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

(b) Assets

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

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

The segment assets as at 31 December 2012 are as follows:

	Oilfield project services *HK$*	Consultancy services *HK$*	Manufacturing and sales of tools and equipment *HK$*	Total *HK$*
As at 31 December 2012				
Segment assets	1,292,401,114	130,771,726	243,475,804	1,666,648,644
Unallocated assets				165,687,165
Total assets				1,832,335,809
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	127,788,920	–	72,442,516	200,231,436

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

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

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

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

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

(c) Geographical information

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

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

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

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

(d) Information about major customers

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

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

4 TRADE RECEIVABLES

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

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

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

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

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

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

Before accepting any new customers, the Group entities apply an internal credit assessment policy to assess the potential customer's credit quality. Management closely monitors the credit quality of trade receivables and considers that the trade receivables to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults. The Group generally allows a credit period ranged from 30 to 270 days after invoice date to its customers.

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

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

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

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

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

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

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

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

5 TRADE PAYABLES

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

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

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

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

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

6 OTHER EXPENSES

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

Notes:

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

(ii) Other tax-related expenses comprise mainly stamp duty, business tax and tax paid to Social Security Organisation in Iran.

7 OTHER GAINS/(LOSSES)

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

8 FINANCE INCOME AND COSTS

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

9 INCOME TAX EXPENSE

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

(i) Hong Kong profits tax

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

(ii) PRC Enterprise Income Tax

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

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

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

(iii) Singapore corporate tax

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

(iv) Venezuela corporate tax

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

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

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

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

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

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using discounted cash flow model) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

11 DIVIDENDS

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

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

12 BUSINESS COMBINATIONS

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

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

Pursuant to the agreement (as amended by a supplemental agreement dated 21 June 2012 between the above mentioned same parties), Hero Gain further acquired 5.5% equity interest in Sheraton on 21 June 2012 in consideration of the issuance of 102 shares of the Company to Natural Peak. As a result, the Group reached ownership of 51% equity interest in Sheraton and gained the power to govern the financial and operating policies in Sheraton, thus Sheraton turned from being a jointly controlled entity into a subsidiary since 21 June 2012.

(b) Acquisition of additional interests in Sheraton

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

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

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

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

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

Note (i):

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

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

Geographical Market Analysis

Set out below is the revenue analysis by geographical area:

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

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

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

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

Revenue From the China Market

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

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

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

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

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

Revenue From the Overseas Markets

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

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

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

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

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

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

Business Segment Analysis

Set out below is the revenue analysis by business segment:

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

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

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

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

Oilfield Project Services

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

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

Drilling services

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

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

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

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

Well Completion Services

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

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

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

Production Enhancement Services

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

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

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

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

Consultancy Services

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

Although consultancy services contributed only about 4% of the Group's total revenue in 2013, this service line is particularly important for the Group in gaining new businesses from those non-NOC shale gas investors in China. As most of the non-NOC shale gas investors generally have a lack of professional experience in the exploration and development of shale gas project, and the Group's Integrated Project Management ("IPM") service team can assist in project management during the entire cycle of their projects.

Manufacturing and Sales of Tools and Equipment

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

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

Customer Analysis

Set out below is the revenue analysis by customer:

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

Note: Others include CNOOC, Winfield Oil Services Limited, ConocoPhillips China Inc., Venineft, Oxin Group Limited, Top Resource General Trading LLC, etc.

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

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

Research and Development

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

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

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

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

Human Resources

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

The Group has recruited a number of experienced technical personnel as well as young talents from university fresh graduates, fulfilling the Group's need for future business development. Recently, the Group has further strengthened the training program for fresh graduates and other young technical personnel for the Group's future business development.

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

FINANCIAL REVIEW OF CONTINUING OPERATIONS

Revenue

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

Material costs

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

Employee benefit expenses

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

Distribution expenses

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

Technical service fee

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

Other expenses

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

Operating profit

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

Net finance costs

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

Income tax expense

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

Net profit

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

Profit attributable to owners of the Company

As a result of the foregoing, the Group's profit attributable to owners from continuing operations of the Company in 2013 was approximately HK$196.6 million, representing an increase of HK$28.9 million or approximately 17%, from HK$167.7 million in 2012.

Property, plant and equipment

Property, plant and equipment consist of building, leasehold improvements, plant and machineries, motor vehicles, computer equipment, furniture and fixtures, and construction in progress. As at 31 December 2013, the Group's property, plant and equipment amounted to HK$293.4 million, representing an increase of HK$136.3 million or approximately 87%, from HK$157.1 million as at 31 December 2012. The increase was primarily due to purchases of new machinery and equipment and introduction of new service bases for supporting the Group's business expansion.

Intangible assets

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

Inventories

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

Trade receivables

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

Trade payables

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

Liquidity and capital resources

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

As at 31 December 2013, the Group's cash and cash equivalents were approximately HK$345.4 million, representing an increase of HK$208.6 million from HK$136.8 million as at 31 December 2012.

As at 31 December 2013, the Group's bank borrowings was HK$233.4 million, and the Group has approximately HK$854.2 million undrawn bank facilities obtained from its major bankers, which will meet the growing demand of working capital.

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

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

Foreign exchange risk

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

Contractual obligations

The Group's contractual obligations include the capital expenditure commitments and the payment obligations under operating lease arrangements. The capital expenditure commitments mainly represent construction contracts and equipments purchase contracts which amounted to approximately HK$403.1 million as at 31 December 2013. The operating leases mainly include the lease of offices and warehouses. The Group's commitment under operating leases was approximately HK$29.4 million as at 31 December 2013. The Group has sufficient facilities to fund its operation to satisfy its future working capital and other financing requirements from its operating cash flow and available bank financing.

Contingent liabilities

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

Off-balance Sheet Arrangements

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

DIVIDEND

The Board recommends the payment of a final dividend of 5 HK cents per share of the Company for the year ended 31 December 2013 (2012: nil) to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 27 June 2014, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

EFFECTS OF DISCONTINUED OPERATIONS AND THE ONE-OFF GAIN ON FINANCIAL RESULT

Discontinued operations

In 2013, the Group did not have any revenue or profit from discontinued operations. In 2012, the Group's revenue and net profit from discontinued operations amounted to HK$48.9 million and HK$10.6 million, respectively.

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

The one-off gain of HK$47.7 million on disposal of a jointly controlled entity in 2012 was attributable to the increase of the Group's interests in Sheraton Investment Worldwide Ltd to 51%, and the re-measurement at fair value of the 45.5% equity interests in Sheraton Investment Worldwide Ltd held before the business combination.

Effects on financial result

Taking into account the net profit from the discontinued operations and the one-off gain on disposal of a jointly controlled entity, the Group's net profit was HK$210.5 million in 2013, representing an increase of HK$25.8 million or 14% from HK$184.7 million in 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014, 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, 27 May 2014.

The register of members of the Company will be closed from Wednesday, 25 June 2014 to Friday, 27 June 2014, 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 receive the final dividend, 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 no later than 4:30 p.m. on Tuesday, 24 June 2014.

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 ("Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. As the shares of the Company became listed on the Main Board of the Stock Exchange on 6 March 2013, the Code Provisions were not applicable to the Company for the period before 6 March 2013. Since the date of listing, the Company has complied with the Code Provisions except for the following deviation:

Code A.2.1

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

Mr. Wang Jinlong ("Mr. Wang") is currently performing both the roles of chairman and chief executive officer of the Group. Taking into account that 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 Provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS' SECURITIES TRANSACTIONS

The Directors 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.

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

The shares of the Company became listed on the Stock Exchange on 6 March 2013. For the year ended 31 December 2013, 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 2013 have been reviewed by the Audit Committee.

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

Hong Kong, 20 March 2014

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.