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Petro-king
百勤油服

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

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the "**Board**") of directors (the "**Directors**") of Petro-king Oilfield Services Limited (the "**Company**") hereby presents the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**we**" or "**our**") for the year ended 31 December 2015.

HIGHLIGHTS

- Revenue dropped by 11% to HK$631.0 million from HK$705.2 million.
- Net provision for impairment of trade receivables amounted to HK$182.1 million (2014: HK$280.3 million).
- The Group recorded a net loss of HK$391.8 million in 2015 compared to the net loss of HK$418.1 million in 2014.
- Enhanced financial position through raising capital, minimising capital investments and improving operating cashflow.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**757,928**	815,108
Intangible assets		**520,485**	567,312
Land use rights		**25,442**	27,624
Available-for-sale financial asset		**32,486**	–
Other receivables, deposits and prepayments		**147,724**	142,611
Deferred tax assets		**13,640**	11,111
		1,497,705	1,563,766
Current assets			
Inventories		**242,719**	367,967
Trade receivables	*4*	**467,088**	778,449
Other receivables, deposits and prepayments		**89,522**	170,989
Current income tax recoverable		**3,249**	19,093
Pledged bank deposits		**147,685**	200,154
Restricted bank balance		**5,959**	6,338
Cash and cash equivalents		**46,592**	55,339
		1,002,814	1,598,329
Total assets		**2,500,519**	3,162,095
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**1,879,966**	1,658,187
Other reserves		**36,268**	51,761
(Accumulated losses)/retained earnings		**(338,941)**	41,680
		1,577,293	1,751,628
Non-controlling interests		**2,011**	43,300
Total equity		**1,579,304**	1,794,928

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*6*	**174,746**	36,784
Deferred tax liabilities		**11,246**	18,674
		185,992	55,458
Current liabilities			
Trade payables	*5*	**310,967**	312,042
Other payables and accruals		**212,943**	274,793
Current income tax liabilities		**1,826**	12,175
Bank and other borrowings	*6*	**209,487**	712,699
		735,223	1,311,709
Total liabilities		**921,215**	1,367,167
Total equity and liabilities		**2,500,519**	3,162,095

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Revenue	3	**631,014**	705,172
Other income		**563**	416
Operating costs			
Material costs		**(215,925)**	(220,280)
Depreciation of property, plant and equipment		**(86,266)**	(61,233)
Amortisation of intangible assets and land use rights		**(1,712)**	(1,640)
Operating lease rental		**(14,529)**	(20,170)
Employee benefit expenses		**(168,346)**	(214,902)
Distribution expenses		**(14,670)**	(22,196)
Technical services fees		**(111,697)**	(74,749)
Research and development expenses		**(19,274)**	(24,648)
Entertainment and marketing expenses		**(15,657)**	(27,794)
Provision for impairment of trade receivables, net		**(182,148)**	(280,296)
Other expenses	7	**(78,453)**	(147,869)
Foreign exchange losses, net	8	**(86,101)**	(7,426)
Other gains/(losses), net	9	**19,013**	(385)
Operating loss		**(344,188)**	(398,000)
Finance income	10	**3,370**	19,167
Finance costs	10	**(51,490)**	(38,001)
Finance costs, net		**(48,120)**	(18,834)
Loss before income tax		**(392,308)**	(416,834)
Income tax credit/(expense)	11	**549**	(1,314)
Loss for the year		**(391,759)**	(418,148)
Other comprehensive (loss)/income			
Items that have been or may be subsequently reclassified to profit or loss:			
Revaluation loss on an available-for-sale financial asset		**(3,803)**	–
Currency translation differences			
– Group		**(57,452)**	18,980
– Recycling upon disposal of equity interest in a subsidiary		**(250)**	–
Total comprehensive loss for the year		**(453,264)**	(399,168)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
(Loss)/income for the year attributable to:			
Owners of the Company		**(384,342)**	(423,082)
Non-controlling interests		**(7,417)**	4,934
		(391,759)	(418,148)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(444,464)**	(404,058)
Non-controlling interests		**(8,800)**	4,890
		(453,264)	(399,168)
Loss per share attributable to owners of the Company during the year	*12*		
Basic loss per share ***(HK cents)***		**(31)**	(38)
Diluted loss per share ***(HK cents)***		**(31)**	(38)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

These 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 these 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 all applicable International Financial Reporting Standards ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of an available-for-sale financial asset, which is carried at fair value.

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

2.1.1 Going concern

During the year ended 31 December 2015, the Group reported a net loss attributable to owners of approximately HK$384,342,000 and a net operating cash inflow of approximately HK$63,988,000.

As at 31 December 2015, the Group had cash and cash equivalents of HK$46,592,000 and pledged bank deposits of HK$147,685,000. As at the same date, the Group had total borrowings of HK$384,233,000, of which HK$209,487,000 will be due in the coming twelve months. The HK$209,487,000 borrowings due within the coming twelve months mainly included (i) a term-loan of HK$56,841,000 due in January 2016 where the Group did not meet certain covenant requirement, but nevertheless this term loan was fully repaid as scheduled on 29 January 2016; and (ii) bank borrowings of approximately HK$139,924,000 which were secured by pledged bank deposits of HK$136,350,000 (details of the borrowings are set out in note 6).

During the year ended 31 December 2015, the Group completed a series of financing activities to lower its gearing ratio, including, (i) completion of a rights issue of the Company's shares in February 2015 which raised net proceeds of approximately HK$147,930,000; (ii) issuance of 3-year 5% convertible bonds in March 2015 which raised net proceeds of HK$153,860,000; (iii) completion of a disposal in September 2015 of 40.1% equity interest in Shenzhen Fluid Science & Technology Co., Ltd, a former subsidiary of the Company, with net proceeds of HK$69,025,000; and (iv) completion of a placement of 93,480,000 new shares of the Company in December 2015 raising net proceeds of HK$73,849,000. Furthermore, the Group has implemented measures to expedite collection of outstanding trade receivables and contain operating and capital expenditures. These efforts together with the cash inflows from the aforementioned financing activities funded a net repayment of borrowings of approximately HK$490,700,000 during the year ended 31 December 2015.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2015. A number of measures have been put in place by the directors of the Company to further improve the financial position and alleviate the liquidity pressure, including:

(i) The Group will continue its effort to strengthen its working capital position by expediting collection of outstanding trade receivables, diversify its revenue source to new markets, including in the Middle East and Central Asia for realisation of cash from new sales or service contracts, and implement measures to further control capital and operating expenditures.

(ii) The Group aims to maintain its gearing at a low level to save borrowing costs and utilise future operating cash flows for repayment of its obligations as and when they fall due.

Based on the cash flow projections and taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2015. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.1.2 Venezuela – Exchange control and devaluation

A Venezuelan subsidiary incorporated on 17 September 2012 continued its operations in the current year and its functional currency is Bolivares fuertes ("Bs"). Venezuela operated a number of alternative exchange mechanisms and the Group used official exchange rate (i.e. CENCOEX), which at 31 December 2014 was 6.3 Bs per United States dollar ("US$"), for translation of its financial statements into Hong Kong dollar for consolidation. During 2015, the Venezuelan government announced a new exchange rate (i.e. Sistema Marginal de Divisas – SIMADI) to allow both, individuals and entities, to buy and sell foreign currency with fewer restrictions than the other rates in Venezuela. The SIMADI rate is a daily variable average rate based on market transactions and the rate is 199.5 Bs per US$ at 31 December 2015.

The Group changed the exchange rate from the CENCOEX rate to the SIMADI rate for accounting and consolidation of its Venezuelan subsidiary for the year as the management believed that the SIMADI rate could better represent the primary economic environment for the Venezuelan subsidiary operated in Venezuela. The change from the CENCOEX rate to the SIMADI rate brought about devaluation effect to non-monetary assets as well as certain monetary assets and liabilities that were denominated in Bs. The effect as at 31 December 2015 are as follows:

(i) Decrease in property, plant and equipment by HK$71,375,000 to HK$2,327,000,

(ii) Decrease in inventories by HK$24,500,000 to HK$799,000,

(iii) Decrease in prepayments and other receivables denominated in Bs by HK$7,696,000 to HK$251,000; and

(iv) Decrease in trade and other payables denominated in Bs by HK$144,143,000 to HK$4,700,000.

The total assets decreased from HK$118,672,000 to HK$3,792,000 whereas the total liabilities decreased from HK$252,474,000 to HK$78,245,000, and such devaluation was reflected in currency translation differences in other comprehensive income.

Furthermore, as a result of the translation of payables denominated in US$ of the Venezuelan subsidiary led to a foreign exchange loss of HK$66 million included in the statement of comprehensive income.

2.1.3 Venezuela – Hyperinflationary economy

A number of factors arose in the Venezuelan economy that triggers the adoption of the adjustments required by IAS 29 'Financial Reporting in Hyperinflationary Economies'. Within these factors it is worth highlighting the significance of the cumulative inflation rate of 100% over the past years, the restrictions to the official foreign exchange market and the devaluation of the 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 2015, the index was 2,357.9 (2014: 839.5) and the year-over-year change in the index was 180.9%.

Pursuant to this standard, the 2014 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 2015 was 199.5 Bs per US$ (2014: 6.3 Bs per US$).

As at 31 December 2015, the Group has revaluated the non-monetary assets and liabilities, and the gain derived from the revaluation is reflected as finance income on the consolidated statement of comprehensive income of HK$1,380,000 (2014: HK$14,699,000). The deferred tax liabilities on temporary difference associated with restatement of the non-monetary assets and liabilities amounting to HK$722,000 as at 31 December 2015 (2014: HK$8,033,000).

2.1.4 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, and have been adopted in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

The following new standards and amendments to standards have been issued but not effective for the financial year end beginning 1 January 2015, and have not been early adopted in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 10 and IAS 28 Amendment	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by the IASB
IFRS 10, IFRS 12 and IAS 28 Amendment	Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11 Amendment	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 1 Amendment	Disclosure initiative	1 January 2016
IAS 16 and IAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41 Amendment	Agriculture: Bearer plants	1 January 2016
IAS 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual Improvements Project	Annual improvements 2012-2014 cycle	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018

3 SEGMENT INFORMATION

The Chief Operating Decision Maker ("**CODM**") has been identified as the Chief Executive Officer, vice president 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 operations. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

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

(a) Revenue

Revenue recognised during the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
	HK$'000	*HK$'000*
Oilfield project services		
– Drilling	**175,216**	179,160
– Well completion	**58,377**	28,555
– Production enhancement	**116,736**	225,510
Total oilfield project services	**350,329**	433,225
Consultancy services	**45,475**	89,076
Manufacturing and sales of tools and equipment	**235,210**	182,871
Total revenue	**631,014**	705,172

The segment information for the years ended 31 December 2015 and 2014 are as follows:

	Oilfield project services	**Consultancy services**	**Manufacturing and sales of tools and equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2015				
Total segment revenue	**350,329**	**45,475**	**264,357**	**660,161**
Inter-segment revenue	**–**	**–**	**(29,147)**	**(29,147)**
Revenue from external customers	**350,329**	**45,475**	**235,210**	**631,014**
Segment results	**(140,478)**	**41,581**	**66,933**	**(31,964)**
Net unallocated expenses				**(360,344)**
Loss before income tax				**(392,308)**
Other information:				
Amortisation	**(1,117)**	**–**	**–**	**(1,117)**
Depreciation	**(68,256)**	**–**	**(15,390)**	**(83,646)**
Provision for impairment of trade receivables, net	**(179,120)**	**3,603**	**(6,631)**	**(182,148)**
Gain on disposal of equity interest in a subsidiary	**–**	**–**	**19,920**	**19,920**
Income tax expense	**–**	**–**	**(2,433)**	**(2,433)**

	Oilfield project services *HK$'000*	Consultancy services *HK$'000*	Manufacturing and sales of tools and equipment *HK$'000*	Total *HK$'000*
Year ended 31 December 2014				
Total segment revenue	433,225	89,076	236,539	758,840
Inter-segment revenue	–	–	(53,668)	(53,668)
Revenue from external customers	433,225	89,076	182,871	705,172
Segment results	(179,295)	52,357	21,764	(105,174)
Net unallocated expenses				(311,660)
Loss before income tax				(416,834)
Other information:				
Amortisation	(1,117)	–	–	(1,117)
Depreciation	(47,428)	–	(7,642)	(55,070)
Provision for impairment of trade receivables, net	(266,216)	(10,419)	(3,661)	(280,296)
Income tax expense	–	–	(2,930)	(2,930)

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

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

	2015 ***HK$'000***	2014 *HK$'000*
Segment results	**(31,964)**	(105,174)
Other income	**563**	416
Depreciation of property, plant and equipment	**(2,620)**	(6,163)
Amortisation of intangible assets and land use rights	**(595)**	(523)
Operating lease rental	**(9,909)**	(11,392)
Employee benefit expenses	**(116,632)**	(135,015)
Distribution expenses	**(14,192)**	(21,132)
Research and development expenses	**(18,657)**	(23,823)
Entertainment and marketing expenses	**(13,525)**	(19,515)
Other expenses	**(53,206)**	(81,385)
Foreign exchange losses, net	**(86,101)**	(7,426)
Other losses	**(907)**	(385)
Finance income	**3,370**	19,167
Finance costs	**(47,933)**	(24,484)
Loss before income tax	**(392,308)**	(416,834)

(b) Assets

The segment assets as at 31 December 2015 are as follows:

	Oilfield project services *HK$'000*	**Consultancy services** *HK$'000*	**Manufacturing and sales of tools and equipment** *HK$'000*	**Total** *HK$'000*
As at 31 December 2015				
Segment assets	**1,442,976**	**143,625**	**669,916**	**2,256,517**
Unallocated assets				**244,002**
Total assets				**2,500,519**
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	**73,803**	**–**	**30,599**	**104,402**

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

	Oilfield project services *HK$'000*	Consultancy services *HK$'000*	Manufacturing and sales of tools and equipment *HK$'000*	Total *HK$'000*
As at 31 December 2014				
Segment assets	2,025,873	187,923	618,787	2,832,583
Unallocated assets				329,512
Total assets				3,162,095
Total assets include:				
Additions to non-current assets (other than financial instruments and deferred tax assets)	542,423	–	133,169	675,592

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, intangible assets, land use rights, available-for-sale financial asset, deferred tax assets, inventories, trade and other receivables, deposits and prepayments, pledged bank deposits, restricted bank balance and cash and cash equivalents.

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

	2015	2014
	HK$'000	*HK$'000*
Segment assets for reportable segments	**2,256,517**	2,832,583
Unallocated assets		
– Unallocated property, plant and equipment	**20,259**	20,025
– Unallocated intangible assets	**862**	1,452
– Unallocated other receivables, deposits and prepayments	**28,267**	40,535
– Unallocated deferred tax assets	**13,640**	8,052
– Unallocated current income tax recoverable	**3,249**	19,093
– Unallocated pledged bank deposits	**141,585**	192,470
– Unallocated restricted bank balance	**5,959**	6,338
– Unallocated cash and cash equivalents	**30,181**	41,547
	244,002	329,512
Total assets per consolidated balance sheet	**2,500,519**	3,162,095

(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:

	2015	2014
	HK$'000	*HK$'000*
The People's Republic of China ("**the PRC**")	**309,181**	465,359
South America	**9,700**	71,737
The Middle East	**259,062**	146,336
Central Asia	**21,126**	–
Others	**31,945**	21,740
	631,014	705,172

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

	2015	2014
	HK$'000	*HK$'000*
The PRC	**1,215,556**	1,275,594
South America	**92,108**	135,869
Singapore	**67,356**	97,474
The Middle East	**108,926**	43,578
Australia	**119**	140
	1,484,065	1,552,655

(d) Information about major customers

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

	2015
	HK$'000
Customer A	**148,526**
Customer B	**113,278**
Customer C	**77,131**
	338,935

	2014
	HK$'000
Customer C	135,654
Customer A	101,171
Customer D	71,737
	308,562

4 TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**879,350**	1,076,049
Less: provision for impairment of trade receivables	**(412,262)**	(297,600)
Trade receivables – net	**467,088**	778,449

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

	2015	2014
	HK$'000	*HK$'000*
Up to 3 months	**102,419**	270,129
3 to 6 months	**121,797**	148,956
6 to 12 months	**197,443**	155,870
Over 12 months	**457,691**	501,094
Trade receivables	**879,350**	1,076,049
Less: provision for impairment of trade receivables	**(412,262)**	(297,600)
Trade receivables – net	**467,088**	778,449

As at 31 December 2015, trade receivables of HK$369,713,000 (2014: HK$505,855,000) were past due but not impaired. The ageing analysis of these trade receivables by due date is as follows:

	2015	2014
	HK$'000	*HK$'000*
Up to 3 months	**126,264**	92,355
3 to 6 months	**141,666**	177,010
6 to 12 months	**52,006**	91,502
Over 12 months	**49,777**	144,988
	369,713	505,855

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

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

As at 31 December 2015, bank borrowings are secured by certain trade receivables with an aggregate carrying value of HK$379,341,000 (2014: HK$641,387,000) (Note 6).

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

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

	2015	2014
	HK$'000	*HK$'000*
US$	**236,577**	379,891
RMB	**185,307**	382,398
European dollar ("**EURO**")	**45,204**	7,073
Bs	**–**	9,087
	467,088	778,449

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

Certain customers of the Group experienced significant and rapid deterioration in the credit ratings as well as other market parameters which indicated an increase in the credit default risk. Based on the above, at year end, management has determined to record a provision for doubtful receivables as at 31 December 2015 amounted to HK$412,262,000 (2014: HK$297,600,000). The ageing of these receivables by services completion and delivery date at the respective balance sheet dates is as follows:

	2015	2014
	HK$'000	*HK$'000*
6 to 12 months	**1,847**	13,744
Over 12 months	**410,415**	283,856
	412,262	297,600

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**297,600**	7,125
Provision for receivables impairment	**198,863**	290,475
Reversal of provision for receivables impairment	**(16,715)**	–
Exchange differences	**(67,486)**	–
As at 31 December	**412,262**	297,600

As at 31 December 2015, the recognition of provision for receivables impairment had been included in 'provision for impairment of trade receivables, net' of HK$182,148,000.

As at 31 December 2014, the recognition of provision for receivables impairment had been included in 'provision for impairment of trade receivables, net' of HK$280,296,000 and 'finance costs' of HK$10,179,000.

5 TRADE PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**310,967**	312,042

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

	2015	2014
	HK$'000	*HK$'000*
Up to 3 months	**87,945**	133,696
3 to 6 months	**40,272**	64,584
6 to 12 months	**72,580**	60,817
Over 12 months	**110,170**	52,945
	310,967	312,042

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

	2015	2014
	HK$'000	*HK$'000*
US$	**100,252**	89,431
RMB	**179,933**	215,967
SGD	**30,137**	6,512
Others	**645**	132
	310,967	312,042

6 BANK AND OTHER BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Non-current		
Bank borrowings *(Note a)*	**39,083**	36,784
Finance lease liabilities *(Note b)*	**8,777**	–
Convertible bonds – liability component *(Note c)*	**126,886**	–
	174,746	36,784
Current		
Bank borrowings (including overdraft) *(Note a)*	**196,765**	400,638
Non-current borrowings reclassified as current *(Note a)*	**–**	312,061
Finance lease liabilities *(Note b)*	**5,363**	–
Convertible bonds – liability component *(Note c)*	**7,359**	–
	209,487	712,699
	384,233	749,483

(a) Bank borrowings

Bank borrowings bear average coupon rate of 3.4% as at 31 December 2015 (2014: 4.2%).

The Group had classified the entire HK$312,061,000 outstanding balance of a relevant term loan ("**Term Loan**") under current liabilities as at 31 December 2014 due to the breach of the restrictive financial covenants constituted events of default under the term loan agreement, which may cause the relevant term loan to become immediately repayable.

On 25 March 2015, the Group obtained waiver from all of the financiers of the Term Loan in respect of those restrictive financial covenants that the Group breached and the breach of incurrence of additional financial indebtedness arising from the proposed issuance of the convertible bonds. Under the terms of the waiver, the Group is required and has agreed to apply the net proceeds from the expected issuance of the convertible bonds to partial repay the Term Loan.

Based on the Group's consolidated financial statements for the year ended 31 December 2015, the Group breached certain financial covenant requirement of the term loan amounting to approximately US$7,000,000 (equivalent to approximately HK$56,841,000). Due to this breach of the restrictive financial covenant, the relevant lenders have the right to demand immediate repayment of the Term Loan before the scheduled repayment date. Notwithstanding the above circumstances, no such notice of demand was received by the Group and the Term Loan has not become due prior to its actual repayment date of 31 January 2016.

The Group's bank borrowings were repayable as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 year	**196,765**	469,200
Between 1 and 2 years	**1,432**	122,018
Between 2 and 5 years	**4,534**	126,898
Over 5 years	**33,117**	31,367
Total bank borrowings	**235,848**	749,483

As at 31 December 2015, the Group's bank borrowings were under floating interest rates (2014: Same).

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

	2015	2014
	HK$'000	*HK$'000*
6 months or less	**195,328**	700,956
Over 6 months	**40,520**	48,527
	235,848	749,483

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

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

	2015	2014
	HK$'000	*HK$'000*
HK$	**–**	71,000
US$	**56,841**	342,655
RMB	**130,655**	297,441
SGD	**48,352**	38,387
	235,848	749,483

The Group's bank borrowings were secured and unsecured as follows:

	2015	2014
	HK$'000	*HK$'000*
Secured	**235,848**	574,554
Unsecured	**–**	174,929
	235,848	749,483

As at 31 December 2015, banking facilities of approximately HK$534 million (2014: HK$1,028 million) were granted by banks to the Company and its subsidiaries, of which approximately HK$236 million (2014: HK$749 million) have been utilised by the Company and its subsidiaries. The facilities are secured by:

(a) certain pledged bank deposits;

(b) corporate guarantees given by certain Group companies;

(c) floating charge on all trade receivables of certain subsidiaries of the Company of approximately HK$379 million (2014: HK$641 million) (Note 4); and

(d) a building of the Group.

The Group has the following undrawn borrowing facilities:

	2015 *HK$'000*	2014 *HK$'000*
Floating rate		
– Expiring within one year	**298,239**	63,380
– Expiring beyond one year	**–**	215,492
	298,239	278,872

(b) Finance lease liabilities

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2015 *HK$'000*
Gross finance lease liabilities – minimum lease payments	
No later than 1 year	**6,180**
Later than 1 year and no later than 5 years	**9,269**
	15,449
Future finance charges on finance leases	**(1,309)**
Present value of finance lease liabilities	**14,140**
The present value of finance lease liabilities is as follows:	
No later than 1 year	**5,363**
Later than 1 year and no later than 5 years	**8,777**
	14,140

The finance lease liabilities are denominated in RMB.

As at 31 December 2015, finance lease liabilities were secured by certain machineries of the Group amounting to HK$22,590,000 (2014: Nil).

(c) Convertible bonds

On 30 March 2015, the Company issued convertible bonds at a par value of HK$157,000,000, bearing interest at the rate of 5% per annum and payable semi-annually in arrears. The net proceeds of the convertible bonds is HK$153,860,000. The maturity date of the convertible bonds will be on 30 March 2018. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$1.39 per conversion share at any period commencing from 6 months after the date of issuance of the convertible bonds and up to the close of business on the maturity date. The values of the liability component and the equity conversion component were determined at the completion date of the convertible bonds.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 13.6% which is based on market interest rates for a number of comparable convertible bonds denominated in US$ and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the net proceeds from the bonds and the fair value of the liability component and is included in other reserves in equity. Subsequently, the liability component is carried at amortised cost.

The convertible bonds recognised is calculated as follows:

	HK$'000
Net proceeds of convertible bonds issued on 30 March 2015	153,860
Equity component	(28,462)
Liability component at initial recognition at 30 March 2015	125,398
Interest expenses *(Note 10)*	12,804
Interest paid	(3,957)
Liability component at 31 December 2015	134,245
Less: Non-current convertible bonds – liability component	(126,886)
Current portion	7,359

7 OTHER EXPENSES

	2015	2014
	HK$'000	*HK$'000*
Communications	**2,413**	2,940
Professional service fee	**7,363**	11,486
Auditor's remuneration		
– Audit services	**2,799**	3,085
– Non-audit services	**662**	–
Motor vehicle expenses	**6,052**	8,356
Travelling	**23,786**	40,260
Insurance	**2,370**	3,472
Office utilities	**13,006**	23,577
Other tax-related expenses and custom duties *(Note (i))*	**4,478**	12,083
Bank charges	**867**	2,092
Agency fee *(Note (ii))*	**901**	18,909
Provision for impairment of inventories	**5,553**	11,467
Write off of other receivables	**–**	1,257
Others	**8,203**	8,885
	78,453	147,869

Note:

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

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

8 FOREIGN EXCHANGE LOSSES, NET

	2015	2014
	HK$'000	*HK$'000*
Foreign exchange losses	**(86,101)**	(7,426)
Net foreign exchange losses on financing activities *(Note 10)*	**(8,286)**	(1,079)
	(94,387)	(8,505)

9 OTHER GAINS/(LOSSES), NET

	2015	2014
	HK$'000	*HK$'000*
Loss on disposals of property, plant and equipment	**(1,016)**	(709)
Write off of property, plant and equipment	**(984)**	–
Government grants	**265**	353
Gain on disposal of equity interest in a subsidiary	**19,920**	–
Others	**828**	(29)
	19,013	(385)

10 FINANCE INCOME AND COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses:		
– Bank borrowings	**(29,832)**	(26,533)
– Convertible bonds *(Note 6(c))*	**(12,804)**	–
– Finance lease liabilities	**(568)**	–
– Provision for impairment of trade receivables	**–**	(10,179)
– Net foreign exchange losses on financing activities *(Note 8)*	**(8,286)**	(1,079)
– Loans from a related party	**–**	(3,076)
Less: amounts capitalised on qualifying assets	**–**	2,866
Finance costs	**(51,490)**	(38,001)
Finance income:		
– Interest income on short-term bank deposits	**1,990**	4,468
– Gain on net monetary position	**1,380**	14,699
Finance income	**3,370**	19,167
Finance costs, net	**(48,120)**	(18,834)

11 INCOME TAX (CREDIT)/EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax		
– PRC enterprise income tax	**161**	4,885
– Singapore corporate tax	**2,319**	4
– Other tax	**–**	224
	2,480	5,113
(Over)/under provision in prior years		
– Hong Kong profits tax	**(922)**	267
Deferred tax	**(2,107)**	(4,066)
Income tax (credit)/expense	**(549)**	1,314

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% (2014: 16.5%) during the year.

(ii) PRC enterprise income tax

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

As at 31 December 2015, Petro-king Oilfield Technology Limited was approved by relevant local tax bureau authorities as the High and New Technological Enterprise, and was entitled to a preferential EIT rate of 15% (2014: 15%) during the year.

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

(iii) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% for the year ended 31 December 2015 (2014: 17%).

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

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(392,308)**	(416,834)
Tax calculated at domestic tax rates applicable to profits/losses in the respective entities	**(53,439)**	(77,816)
– (Over)/under provision of taxation for prior years	**(922)**	267
– Income not subject to tax	**(5,202)**	(453)
– Expenses not deductible for tax purposes	**15,781**	43,034
– Tax losses for which no deferred tax assets was recognised	**43,233**	36,282
Income tax (credit)/expense	**(549)**	1,314

The weighted average applicable tax rate was 14% (2014: 19%). The decrease is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions.

12 LOSS PER SHARE FOR THE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2015	2014
Loss attributable to owners of the Company *(HK$'000)*	**(384,342)**	(423,082)
Weighted average number of ordinary shares in issue *(number of shares in thousand)*	**1,223,346**	1,110,296
Basic loss per share *(HK cent)*	**(31)**	(38)
Diluted loss per share *(HK cent)*	**(31)**	(38)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares issued during the year.

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

Diluted loss per share for the year ended 31 December 2015 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2014: Same) as both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds have an anti-dilutive effect to the basic loss per share.

13 DIVIDEND

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2015, the Group recorded a revenue of HK$631.0 million, representing a decrease of HK$74.2 million or 11% from HK$705.2 million in 2014. The Group's operating costs for 2015 amounted to HK$975.8 million, representing a decrease of HK$127.8 million or 12% from that of HK$1,103.6 million in 2014. As a result, the Group recorded an operating loss of HK$344.2 million in 2015, representing a decrease of HK$53.8 million as compared to the operating loss of HK$398.0 million in 2014. The operating loss margin was 55% in 2015, narrowed by 1 percentage point as compared to that of 56% in 2014. In 2015, the Group's net finance costs increased by approximately 156% to HK$48.1 million, from that of HK$18.8 million in 2014. The Group's net loss attributable to the owners of the Company was HK$384.3 million, narrowed by HK$38.8 million or 9% as compared to that of HK$423.1 million in 2014. Included in the operating costs, the Group's net provision for impairment of trade receivables amounted to HK$182.1 million in 2015, decreased by HK$98.2 million or 35% as compared to that of HK$280.3 million in 2014. The significant amounts of provision for impairment of trade receivables in 2014 and 2015 were mainly due to the slow progress in collection of trade receivables from a major customer in Venezuela.

Year 2015 was the most challenging year for the Group in the past decade. The slow-down in growth of China's economy and the weak international oil price led to stringent capital expenditure and cost cutting plans for most of the Group's customers in China and thus resulted in a slow-down in overall exploration and production ("**E&P**") activities in the China market.

Although the Group has achieved significant business development and revenue growth from the overseas market in 2015, the weakened international crude oil price remained a major uncertainty for international oil companies ("**IOCs**"). We estimate that most of the IOCs will remain cautious in capital expenditure planning as well as the operating expenses of their E&P activities in 2016.

In order to get through this extraordinary tough time during the industry downturn of the oilfield service sector, the Group had conducted a special risk management plan to cope with the industry downturn and implemented certain risk mitigation measures in 2015:

- Streamlined the cost structure of all major service lines and reduced headcount by approximately 44% to 553 employees as at 31 December 2015, from 989 employees as at 31 December 2014.

- Downsized the business operations of a Venezuelan subsidiary to a minimal level.

- Adjusted compensation structure of the Group's management team by having a substantial cut in basic salary, compensated by performance-based bonus and share option incentive schemes.

- Implemented a more stringent credit control policy and intensified management effort in collecting outstanding trade receivables.

- Raised capital of about HK$375.6 million from rights issue, issuance of three-year convertible bonds and placement of new shares.

- The aforementioned effort funded a net repayment of bank borrowings of about HK$490.7 million to minimise the risk of financial distress.

As a result, the Group's financial position was enhanced in 2015; gearing ratio was substantially improved; burden of operating expenses and finance expenses was reduced; operating loss was narrowed and the Group's overall operations started to turn around in the second half of 2015.

- Operating cashflow turned positive and was approximately HK$64.0 million in 2015, compared to that of HK$85.2 million outflow in 2014.

- Cashflow from investing activities turned positive and was approximately HK$44.0 million in 2015, compared to that of HK$676.9 million outflow in 2014.

- Net debts were reduced to HK$184.0 million as at 31 December 2015, decreased by HK$303.7 million or 62%, from HK$487.7 million as at 31 December 2014. Gearing ratio was improved from 21% as at 31 December 2014 to 10% as at 31 December 2015.

The China Market

During the year, the slow-down in growth of the China economy and the weak international crude oil price have generally led to fewer capital investment plans and thus a slowdown in E&P activities of the Group's major national oil companies ("**NOCs**") customers in the China market. As a result, the Group experienced a further decline in business volume and revenue in various areas in the domestic market in 2015, including a decline in production enhancement services in the Ordos Basin, and a decline in drilling and mud-dining services in the Sichuan Basin and the Tarim Basin. The Group's service capacity (including technical staff and service equipment) for the China market was in a relatively low utilisation rate during the year. In order to improve the utilisation rate of the Group's oilfiled service capacity, we have shifted certain part of our service capacity to the Middle East and Central Asia, and spared certain part of service capacity to non-NOCs customers in China, including certain oilfield service companies and shale gas investors.

In order to raise the operating efficiency of the Group's various service lines, the Group's management reviewed the cost structure and assessed the adequacy of the staff structure of each service line. In 2015, the Group adjusted its staff structure through internal transfer of talents among the various service lines, implemented a staff redundancy plan and adjusted the compensation package of the management team (e.g. basic salary cut shall be compensated by performance based bonus and share option incentives).

Notwithstanding the slowdown in business activities with NOCs customers in 2015, the Group continued to seek diversification of its customer base through a series of marketing and promotion activities (such as participating in industry exhibitions and holding technical seminars). In addition, due to the high quality drilling, well completion and production enhancement projects led by the IPM team provided to certain non-NOCs shale gas investors in 2014, the Group's capability in handling highly complicated oilfield projects are well recognised in the China market. During the year, the Group's drilling, well completion and production enhancement projects led by the IPM team has completed several service contracts for non-NOCs shale gas customers, our excellence in the high-end oilfield services are well recognised by these new customers again in 2015. By leveraging on the market reputation earned, the Group has been continuously promoting its high-end oilfield services to some other non-NOCs oil and gas companies and has achieved encouraging progress in reaching cooperation agreements for the provision of well construction, well completion and production enhancement services led by the Group's IPM team to these potential new customers.

Due to the weak market environment, delay in project execution and delay in settlement of services fees and trade receivables became a common issue of the oilfield service sector in China. In 2015, the Group has implemented several measures (including bonus and incentives to collection team) to expedite project execution and collection of outstanding trade receivables. In addition, the Group has tightened credit terms in accepting new contracts and rejected certain potential projects which might further tight up the Group's working capital. During the year, the Group has collected considerable amount with approximately HK$339.3 million of trade receivables from customers in China, including some long aged accounts receivable.

The Overseas Market

The Group's business development in the overseas market continued to progress in 2015, our capability of provision of high-end oilfield services with self-developed tools and technology have gained further market recognition in the overseas market. During the year, we have gained new overseas customers and won service contracts in various regions including the Middle East, Central Asia, South East Asia, Australia, North America and South America.

Revenue from the overseas market recorded a growth of about 34% in 2015, which was mainly attributable to the revenue growth from the Middle East. While continuing the execution of directional drilling services, production enhancement services and well completion services for our customers in Southern Iraq, the Group started to execute contracts of provision of surface engineering services and production management services in the region in 2015. During the year, the Group's technical capability and professional services have gained further recognition in the region, and we have gained new customers in the Middle East.

During the year, the Group shifted part of its oilfield service capacity to Central Asia and, started to generate revenue in 2015. Currently, we are targeting a few customers in the region (such as Kazakhstan and Kyrgyzstan) for the provision of drilling and production enhancement services.

Subsequent to signing of a memorandum of understanding with National Oilwell DHT, LP ("**NOV**") in February 2015 (the "**MOU**"), the Group started to provide its self-developed turbine drilling technology and services ("**Turbodrill**") in the overseas market, and completed 3 turbine drilling service jobs in Canada in 2015. We considered that the business cooperation represents a great achievement of the Group's research and development team and has once again reinforced the Group's determination to become a leading high-end oilfield service enterprise.

Collection of the trade receivables from a major customer in Venezuela remained slow in 2015. The Group has been actively chasing the customer for settlement of the long outstanding trade receivables during the year, and we have collected approximately HK$7.8 million in 2015. As the weak oil price has jeopardised the customer's capability in settling all of our trade receivables in a short time, we believe it is not easy to collect all of the trade receivables in the near future. As part of the special risk management action plan, the Group downsized the business operations of our Venezuelan subsidiary to a minimal level. As at 31 December 2015, the Group made full provision on all trade receivables from the Venezuelan customer, totalling HK$297.5 million.

The slump in international crude oil price has forced major oil companies to implement certain cost saving measures and to consider other oilfield service providers which are technically competent but could offer them much more cost effective E&P proposals. By leveraging on the Group's reputable team of professional engineers, excellent track record in handling complicated oilfield projects in the Middle East, and self-developed technology and tools, we have been actively seeking new business opportunities in certain major oilfield service markets in the Middle East (such as Saudi Arabia and Oman), South America, South Asia, Australia and Russia. During the year, the Group's business development in some of these new overseas markets namely Australia, Indonesia and Argentina have received encouraging progress, products and services provided to new customers in these three countries and started to contribute revenue in 2015.

Geographical Market Analysis

Set out below is the revenue analysis by geographical area:

	2015 *(HK$ million)*	2014 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 2015** *(%)*	Approximate percentage of total revenue in 2014 *(%)*
China market	**309.2**	465.4	-34%	**49%**	66%
Overseas market	**321.8**	239.8	34%	**51%**	34%
Total	**631.0**	705.2	-11%	**100%**	100%

The Group's revenue from the China market dropped by HK$156.2 million or approximately 34% to HK$309.2 million in 2015 from HK$465.4 million in 2014. The decline in revenue from the China market was mainly due to a decrease in production enhancement services in the Ordos Basin and the drilling business in Northwestern and Southwestern China.

The Group's revenue from overseas market increased by HK$82.0 million or approximately 34% to HK$321.8 million in 2015 from HK$239.8 million in 2014. The increase was mainly attributable to the growth of business in the Middle East, Kyrgyzstan and South East Asia. In particular the development of the Group's business in the Middle East and Kyrgyzstan recorded sound growth momentum. Despite getting a new customer from Argentina, the Group's revenue from South America recorded a decline in 2015 as a result of downsizing the business operations of the Group's Venezuelan subsidiary.

Revenue from the China Market

Set out below is the breakdown of the revenue from the China Market by region:

	2015 *(HK$ million)*	2014 *(HK$ million)*	Approximate percentage change *(%)*	Approximate percentage of total revenue in 2015 *(%)*	Approximate percentage of total revenue in 2014 *(%)*
Northern China	**73.7**	165.5	-55%	**24%**	36%
Northwestern China	**4.4**	76.0	-94%	**1%**	16%
Southwestern China	**72.4**	56.0	29%	**24%**	12%
Other regions in China	**158.7**	167.9	-5%	**51%**	36%
Total	**309.2**	465.4	-34%	**100%**	100%

In 2015, the Group's revenue from Northern China amounted to HK$73.7 million, dropped by HK$91.8 million or approximately 55% from HK$165.5 million in 2014. The decrease in revenue was mainly due to the decline in production enhancement services in the Ordos Basin. On one hand, the Group's customers in that area cut capital expenditure due to the general slowdown in business; on the other hand, the average price of the services per well dropped as compared to last year.

The revenue from Northwestern China amounted to HK$4.4 million in 2015, dropped by HK$71.6 million or approximately 94% from HK$76.0 million in 2014. The decrease in revenue was mainly due to the significant decline in drilling activities of NOCs.

The revenue from Southwestern China amounted to HK$72.4 million in 2015, increased by HK$16.4 million or approximately 29% from HK$56.0 million in 2014. The increase of revenue in this area was mainly due to the general growth of business in production enhancement projects at Jiaoshiba, which has increased by HK$17.5 million from HK$20.7 million in 2014.

The revenue from other regions in China amounted to HK$158.7 million, which has dropped by HK$9.2 million or approximately 5% from HK$167.9 million in 2014. The decrease in revenue was mainly due to the decline in sales of tools and equipment led by the general slowdown in business in these regions.

Revenue from the Overseas Market

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

	2015 *(HK$ million)*	2014 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 2015** *(%)*	Approximate percentage of total revenue in 2014 *(%)*
South America	**9.7**	71.7	-86%	**3%**	30%
The Middle East *(Note 1)*	**259.1**	146.3	77%	**81%**	61%
Central Asia *(Note 2)*	**21.1**	Nil	Nil	**7%**	Nil
Other overseas market *(Note 3)*	**31.9**	**21.8**	**46%**	**9%**	**9%**
Total	**321.8**	239.8	34%	**100%**	100%

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

Note 2: The Central Asia region refers to Kyrgyzstan.

Note 3: Other overseas regions include Singapore, Indonesia, Uganda, etc.

The Group's revenue from South America amounted to HK$9.7 million, dropped by HK$62.0 million or approximately 86% from HK$71.7 million in 2014. This change was mainly due to the decline of business in Venezuela and the devaluation of the Bolivar fuerte was adopted as a hyperinflationary economy. While the revenue from Argentina in this area contributed a revenue amounted to HK$7.5 million, this increase was mainly attributable to the Group's efforts in getting services contracts from a Chinese oil and gas company in Argentina for the provision of high quality well completion tools and project management services. The revenue from the Middle East amounted to HK$259.1 million, increased by HK$112.8 million or approximately 77% from HK$146.3 million in 2014. The increase was mainly led by the rapid growth in sales of completion tools growing rapidly in the Middle East. The Group has excellent completion engineers team and self-developed completion tools. With all these advantages, the Group gained high recognition from customers and the Group believes that the business growth in the Middle East will continue its momentum in 2016. The Group's revenue from Central Asia amounted to HK$ 21.1 million in (2014: Nil). As a leading high-end oilfield service provider, the Group is committed to looking for new opportunities in the international market. The significant growth of revenue in this area was mainly due to the Group expanding its production enhancement services in Kyrgyzstan. The production enhancement projects in Kyrgyzstan contributed HK$ 21.1 million in revenue to the Group in 2015. Meanwhile, the Group's revenue from other overseas market amounted to HK$ 31.9 million, increased by HK$ 10.1 million or approximately 46% from HK$ 21.8 million in 2014. The increase of revenue in this area was mainly attributable to the business growth in Sheraton Investment Worldwide Ltd., one of the Group's subsidiaries, contributed HK$ 15.2 million revenue to the Group in 2015.

Business Segment Analysis

Set out below is the revenue analysis by business segment:

	2015	2014	Approximate percentage change	**Approximate percentage of total revenue in 2015**	Approximate percentage of total revenue in 2014
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Oilfield project services	**350.3**	433.2	-19%	**56%**	61%
Consultancy services	**45.5**	89.1	-49%	**7%**	13%
Manufacturing and sales of tools and equipment	**235.2**	182.9	29%	**37%**	26%
Total	**631.0**	705.2	-11%	**100%**	100%

In 2015, the Group's revenue from oilfield project services amounted to HK$350.3 million, which has decreased by HK$82.9 million or approximately 19% from HK$433.2 million. The decrease was mainly due to decline in revenue from Venezuela and the decline in revenue of production enhancement services from the Ordos Basin. However, the revenue from production enhancement services in Kyrgyzstan was increased by approximately HK$21.0 million in 2015.

The Group's revenue from consultancy services amounted to HK$45.5 million, which has decreased by HK$43.6 million or approximately 49% from HK$89.1 million in 2014. This decline of revenue was mainly caused by general decline in business activities of the Group's major customers in 2015.

The Group's revenue from manufacturing and sales of tools and equipment amounted to HK$235.2 million, which has increased by HK$52.3 million or approximately 29% from HK$182.9 million in 2014. This increase was mainly due to the sales of completion tools to oilfield service traders and service companies.

Oilfield Project Services

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

	2015	2014	Approximate percentage change	**Approximate percentage of total revenue in 2015**	Approximate percentage of total revenue in 2014
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Drilling	**175.2**	179.1	-2%	**50%**	41%
Well completion	**58.4**	28.6	104%	**17%**	7%
Production enhancement	**116.7**	225.5	-48%	**33%**	52%
Total	**350.3**	433.2	-19%	**100%**	100%

Drilling Services

The Group's revenue from drilling services amounted to HK$175.2 million, which has slightly dropped by HK$3.9 million or approximately 2% from HK$179.1 million in 2014. This decrease was mainly caused by the decline of drilling business in southwestern and northwestern China. However, the growth of revenue from drilling services in the Middle East has compensated for the decrease in domestic market.

In 2015, the drilling department of the Group made remarkable achievement by providing and completing several complicated drilling services, particularly providing Rotary Steering and Nonrotating Drillpipe Casing Protectors ("NRP") technical services for several wells. Meanwhile, the drilling department of the Group won several contracts from China National Petroleum Corporation ("**CNPC**") in the Tarim area and Sinopec in southwestern China. The drilling department also made great efforts to promote its drilling equipment and expand domestic and international market. For instance, the Group provided turbine drilling services for 2 wells in Canada in 2015, this move marked a new phase in the Group's development as a high-end oilfield service provider to enter the international oilfield service market.

In 2015, the Group provided directional drilling or turbine drilling services for 15 wells, all of which were completed before 31 December 2015. Out of the completed wells, 7 wells were in the China market and 8 wells were in the overseas market.

Well Completion Services

In 2015, the Group's revenue from well completion services amounted to HK$58.4 million, which has increased by HK$29.8 million or approximately 104% from HK$28.6 million in 2014. The significant increase was mainly attributable to the rapid business growth in the Middle East by providing high-end well completion services and selling high quality well completion tools.

In 2015, the Group provided well completion services for 31 wells, of which 28 wells were completed before 31 December 2015 and the works at 3 wells were still in progress as at 31 December 2015. Out of the completed wells, 20 wells were in the China market and 11 wells were in the overseas market. Meanwhile, the well completion department has finished several sales contracts on time in 2015, and greatly improved the Group's reputation as a leading high-end oilfield services provider.

In 2015, the well completion department made new strategic objectives and plans, and continued to focus on expanding the Middle East market. It aims to retain the existing customers and attract potential new customers.

Production Enhancement Services

In 2015, the Group's revenue from production enhancement services amounted to HK$116.7 million, which has decreased by HK$108.8 million or approximately 48% from HK$225.5 million in 2014. This decrease was mainly due to the downsizing of the operation in Venezuela and decline in the revenue from the production enhancement projects in the Ordos Basin.

Although the revenue from production enhancement services has dropped, the production enhancement department was still committed to retaining existing customers and looking for new opportunities to expand domestic and international market.

In 2015, the Group provided production enhancement services for 124 wells, of which 118 wells were completed before 31 December 2015 and the works at 6 wells were still in progress as at 31 December 2015. Out of the above mentioned wells, 80 wells were in the China market and 44 wells were in the overseas market and the Group provided multistage fracturing services at 72 wells.

Customer Analysis

Customer	**2015**	2014	Approximate percentage change	**Approximate percentage of total revenue in 2015**	Approximate percentage of total revenue in 2014
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Customer 1	**148.5**	101.2	47%	**23%**	14%
Customer 2	**113.3**	0.9	12,489%	**18%**	1%
Customer 3	**77.1**	135.7	-43%	**12%**	19%
Customer 4	**2.3**	71.7	-97%	**1%**	10%
Other Customers	**289.8**	395.7	-27%	**46%**	56%
Total	**631.0**	705.2	-11%	**100%**	100%

The Group is committed to diversifying its customer base so as to reduce the risk of relying heavily on a few customers for income. The revenue from customer 1 amounted to HK$148.5 million, which has increased by HK$47.3 million or approximately 47% from HK$101.2 million in 2014. This increase was mainly due to the rapid business growth in the Middle East. The revenue from customer 2 increased by HK$112.4 million or approximately 12489%, from HK$0.9 million in 2014 to HK$113.3 million in 2015. This significant increase was mainly attributable to the completed sales contracts of well completion tools for the oilfield service trader. The revenue from customer 3 amounted to HK$77.1 million, which has dropped by HK$58.6 million or approximately 43% from HK$135.7 million in 2014. This drop was mainly affected by the reduction of production enhancement projects in the Ordos Basin. The revenue from customer 4 amounted to HK$2.3 million, which has decreased by HK$69.4 million or approximately 97% from HK$71.7 million in 2014. This drop was mainly affected by the downsizing of the Group's operations in Venezuela. The revenue from other customers amounted to HK$289.8 million, which has dropped by HK$105.9 million or approximately 27% from HK$395.7 million in 2014. There are more than 40 customers in this category, and the average revenue per customer amounted to HK$6.6 million in 2015.

Research and Development ("R&D")

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 2015, even under the industry downturn, the Group continued to seek advancement in technology and introduced new products to the market. As a substantial part of the research and development activities for Turbodrill was finished in 2014, the Group's spending on research and development decreased in 2015. The R&D expenses decreased to HK$19.3 million in 2015 from HK$24.6 million in 2014.

During the year, the Group's new products and technology have received further recognition by customers at home and abroad: (i) subsequent to the entering of the memorandum of understanding with NOV by Turbodynamics, the Group successfully completed directional drilling in British Colombia, Canada with Steerable TurboDynamics Turbodrill, which has proved the performance of our Turbodrill in hard and abrasive formations; (ii) after completion of field and surface tests of down-hole tools manufactured by Star Petrotech Pte. Ltd. ("**Star**"), a wholly-owned subsidiary of the Group, Star has successfully entered into the vendor list of TOTAL E&P Indonesie in 2015; (iii) completed the third stage of KingFrac™ coiled tubing, sand-jet perforating and casing fracturing operation at Well No. 2, Qi Mei, SongZao Orefield, Chongqing. The coiled tubing with bottom sealing fracturing tools of the Company applied successfully for the first time.

In addition, the Group continued to develop and introduce to the market new technology and tools in 2015 such as the following:

- Filed patent applications for KingFrac™ and Queen Sleeve™ and have developed a few more prototypes in various sizes of the KingFrac™ and Queen Sleeve™ series products for marketing purpose;

- Developed a new series of safety valves (including a wireline safety valve and a back pressure valve) and upgraded the American Petroleum Institute ("**API**") license of the packer group from API 11D1 Grade V6 to Grade V3;

- Developed Phantom™ Ball, a degradable ball of high pressure rating and low density for multistage fracturing;

- Developed Dual Ball-Activated Frac Sleeve, Hydro-Activated Frac Sleeve and Ball Seat Circulation Valve 2 in 1 at the request of a potential Australian customer, we expect that these technologies could largely increase the success rate in fracturing jobs of coal bed methane ("**CBM**") projects; and

- Developed a new generation of inflow control device – SAICD, which was designed to optimise the production output of oil wells.

At the same time, the Group has been active in technology innovation and patent application. The Group was holding 2 invention patents and 18 utility model patents as at 31 December 2015 and 10 invention patents and 4 utility model patents were under application as at 31 December 2015. In 2015, the Group successfully applied for 5 utility model patents, 3 of which are in the field of drilling such as the following:

- A kind of self-lubricating sleeve spiral stabilizer, which can solve the problem of vertical drilling equipment and MWD/LWD failure in existing technology, caused by poor effect in plastic formation and oversize vibration.

- A device for running casing from automatic power, which can only rotate the bottom of string and ream down instead of rotating the whole working string, when running completion pipe string.

- A drilling rod subassembly for filtering drilling fluid, which can significantly reduce the interrupted time of the change filter and improve economic benefits.

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

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 an in-house technical training system to train our young engineers with advanced oilfield technology and technical know-how and providing customised business management courses to our managerial personnel. We are eager to improve the Group's employees' professional knowledge and enhance their technical capability.

In respect to the downturn of the industry, the Group implemented cost-saving measures and optimized the human resources by cherry-picking the best employees since January 2015. As at 31 December 2015, the Group had 553 employees, representing a decrease of 44% from 989 employees as at 31 December 2014. The number of oilfield service engineers or technical personnel as at 31 December 2015 was 231, which accounts for about 45% of headcount.

OUTLOOK

Following the slump in crude oil price in 2014, the international crude oil price (WTI) dropped further from US$53/bbl at the beginning of year to US$37/bbl at the end of the year. It appears that the market is still bearish about the crude oil price and widely believed that the international crude oil price will stay low in 2016. Most of the international oil companies as well as the NOCs announced that they will continue to exercise a cautious approach in capital investment plans of their E&P activities.

The Group has launched various cost control measures in 2015 including downsizing of its Venezuela operations, downsizing its production enhancement service line and drilling service line and adjusted compensation package of management team. The Group also conducted a deleverage plan in 2015 and has repaid most of bank borrowings by January 2016 to mitigate the financial distress risk and reduce interest expenses. Through rights issue, issuance of three-year convertible bond and placement of shares, the Group raised HK$375.6 million in 2015 for the purpose of repaying bank borrowings and enhancing financial strength.

In the China market, most of the NOCs announced further capital expenditure cut in E&P activities in 2016, we estimate that the Group's oilfield service business activities with the NOCs are likely to remain low in 2016. Nevertheless, E&P activities from non-NOCs oil and gas companies shows an encouraging growing trend recently. We believe our business co-operations with these non-NOCs customers can expand the Group's customer base and is likely to benefit the Group's business development in the foreseeable future.

For the overseas market, the Group will continue its marketing and new business development in the Middle East, further to the success in business development in Iraq, the Group is proactively promoting its oilfield services and products in various countries in the region (such as Saudi Arabia and Oman). Following the lifting of sanctions on Iran by the United States and EU, the Group is considering seeking business co-operation opportunities in Iran. In addition, our production enhancement services in Central Asia and the Middle East, turbine drilling services in North America, well completion services in South East Asia and Australia that the Group started to provide services in 2015 have received high recognition from IOCs customers and are progressing well recently. However, as most of the IOCs are having a budget cut or delaying their E&P activities in 2016, we believe that this may temporary limit the Group's business growth in 2016.

Due to the low oil price, IOCs and certain international oilfield service companies are now much more cost cautious about the selecting tools suppliers and service providers in order to save operating costs and improve project profitability. By taking advantages of being a high-end oilfield service provider with self-developed tools and technology, the Group will put more marketing effort on certain potential IOCs customers in the Middle East and provide them with cost competitive service proposals in order to achieve a further market penetration in the region.

Looking ahead to 2016, we believe that the operating environment will continue to be a challenging year for the oilfield service sector, especially for the young and growing independent oilfield service companies in China. As the current market environments in China and the oversea are still associated with uncertainties, the Group will continue to exercise a cautious approach while seeking business development in 2016.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue amounted to HK$631.0 million, which has dropped by 11 % as compared to that of HK$705.2 million in 2014, representing a decrease of approximately HK$74.2 million. The decrease in revenue was mainly due to the decline of business in Northern China and Venezuela.

Material Costs

During the year, the Group's material costs were HK$215.9 million, which has decreased by HK$4.4 million or 2 % as compared to that of HK$220.3 million in 2014. The decrease of material costs were mainly due to the drop of revenue in 2015.

Depreciation of Property, Plant and Equipment

During the year, the depreciation of property, plant and equipment amounted to HK$86.3 million, which has increased by HK$25.1 million or 41% as compared to that of HK$61.2 million in 2014, primarily resulted from the increase in depreciation of buildings at Huizhou base; and the depreciation of fracturing equipment was recorded throughout the whole reporting period in 2015, which led to a major increase in depreciation.

Employee Benefit Expenses

During the year, the Group's employee benefit expenses were HK$168.3 million, which has dropped by HK$46.6 million or 22% as compared to that of HK$214.9 million in 2014. This change was mainly because of the Group's cost control measures implemented in 2015. Among others, significant adjustments to the staff structure and change in compensation package of the Group's management team contribute the most of savings in employee benefit expenses in 2015.

Distribution Expenses

During the year, the Group's distribution expenses amounted to HK$14.7 million, which has decreased by HK$7.5 million or approximately 34% from HK$22.2 million in 2014. It was mainly driven by a better management of logistics department through reasonable resources allocation, and less transportation of tools and equipment to long distant areas.

Technical Service Fees

During the year, the Group's technical service fees amounted to HK$111.7 million, which has increased by HK$37.0 million or approximately 50% from HK$74.7 million in 2014. The increase in technical service fees was mainly related to oilfield service projects in the Middle East area.

Provision for Impairment of Trade Receivables, Net

During the year, the provision for impairment of trade receivables net of reversal amounted to HK$182.1 million, which has dropped by HK$98.2 million or approximately 35% from HK$280.3 million in 2014. It was mainly due to the provision for impairment of trade receivables from a major customer in Venezuela to HK$127.1 million and a major customer in domestic market to HK$33.1 million in 2015.

Other Expenses

During the year, the Group's other expenses were HK$78.5 million, which has dropped by HK$69.4 million or approximately 47% from HK$147.9 million in 2014. It was mainly attributable to the decrease of agency fee, stamp duty and business tax, motor vehicle, travelling and office utilities expenses as a result of the Group's cost control measures implemented in 2015.

Foreign Exchange Losses

During the year, the foreign exchange losses amounted to HK$86.1 million, which has increased by HK$78.7 million or approximately 11 times as compared to that of HK$7.4 million in 2014. The amount of foreign exchange losses affected by the exchange-rate swings in Venezuela was HK$65.7 million.

Operating Loss

As a result of the foregoing, the Group's operating loss in the year amounted to HK$344.2 million, which has dropped by HK$53.8 million or approximately 14% as compared to the operating loss of HK$398.0 million in 2014.

Net Finance Costs

During the year, the Group's net finance costs amounted to HK$48.1 million, which has increased by HK$29.3 million or approximately 156% as compared to that of HK$18.8 million in 2014. The significant increase in finance costs was mainly due to the increase in interest expenses, primarily in the breeding of bank loans and convertible bonds.

Income Tax Credit

During the year, the Group's income tax credit amounted to HK$0.5 million, while the Group recorded totaling HK$1.3 million income tax expense in 2014, this change was mainly due to changes in the profitability of the subsidiaries in the respective jurisdiction in the year.

Loss for the Year

As a result of the foregoing, the Group's loss amounted to HK$391.8 million in 2015, which has decreased by HK$26.3 million or approximately 6% as compared to HK$418.1 million in 2014.

Loss Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the company in 2015 was HK$384.3 million, which has narrowed by HK$38.8 million as compared to that of HK$423.1 million in 2014.

Property, Plant and Equipment

Property, plant and equipment include items such as buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, construction in progress and plant and machinery. As at 31 December 2015, the Group's property, plant and equipment amounted to HK$757.9 million, which has decreased by HK$57.2 million or approximately 7% from HK$815.1 million as at 31 December 2014. The decrease was mainly due to the devaluation of fixed assets in Venezuela and the depreciation of the property, plant and equipment.

Intangible Assets

As at 31 December 2015, the Group's intangible assets amounted to HK$520.5 million, representing a decrease of approximately HK$46.8 million as compared to last year. The decrease was mainly due to the disposal of one of the Group's subsidiaries in 2015.

Inventories

As at 31 December 2015, the Group's inventories amounted to HK$242.7 million, representing a drop of HK$125.3 million or approximately 34% as compared to that of HK$368.0 million as at 31 December 2014. The average turnover days of inventories decreased from 552 days in 2014 to 505 days in 2015. The decrease of inventories was mainly due to the utilisation of long-aging inventories in 2015 and quicker delivery of tools and materials by the Group to customers.

Trade Receivables

As at 31 December 2015, the Group's trade receivables amounted to HK$467.1 million, representing a decrease of HK$311.3 million or approximately 40% as compared to that of HK$778.4 million as at 31 December 2014. The average turnover days of trade receivables were 279 days in 2015, which has excluded the Group's customer in Venezuela and the trade receivables in a subsidiary that was disposed in August 2015, representing a decrease of 50 days as compared to 329 days in 2014. The decrease of turnover days of trade receivables was mainly due to the intensified management effort in collecting trade receivables during the year.

Trade Payables

As at 31 December 2015, the Group's trade payables were HK$311.0 million, which nearly remained constant as compared to that of HK$312.0 million as at 31 December 2014.

Liquidity and Capital Resources

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital, while maximizing the return to shareholders through improving the debts and equity balance.

As at 31 December 2015, the Group's cash and cash equivalent amounted to HK$46.6 million, representing a decrease of HK$8.7 million as compared to HK$55.3 million as at 31 December 2014. The cash and cash equivalents held are mainly denominated in HK$, RMB and US$.

As at 31 December 2015, HK$6.0 million are restricted deposits held at bank as reserve under litigation claim.

As at 31 December 2015, the Group's current ratio was approximately 1.36. The current ratio is a financial ratio that measures short-term financial strength. The ratio is calculated as current assets divided by current liabilities.

Gearing ratio

As at 31 December 2015, the Group's gearing ratio was approximately 10%. Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) plus convertible bonds payable and finance lease payable less cash and cash equivalents, pledged bank deposits and restricted bank balance. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

Contractual Obligations

The Group's contractual obligations include the capital commitments and the payment obligations under operating lease arrangements. The capital commitments mainly represent land use right and property, plant and equipment contracted but not provided for, which amounted to HK$16.3 million as at 31 December 2015. The Group leases various offices, warehouses and a land in Singapore under non-cancellable operating lease agreements. The Group's commitment under operating leases amounted to HK$33.3 million as at 31 December 2015.

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 and RMB. Foreign exchange risk mainly arises from trade and other receivables, cash and cash equivalents, trade and other payables and bank borrowings in foreign currencies.

Contingent Liabilities

During 2014, a contracting party initiated legal proceedings against the Group alleging a failure to provide stipulated amount of drilling works under the contracts entered in 2012 and 2013 and claimed for a total amount of RMB25,000,000. The case was concluded on 1 June 2015 in which the judgment of the court has been in favor of the Group and has dismissed the claim of the contracting party. The contracting party is in the process of appeal. As at 31 December 2015, restricted deposits of HK$5,959,000 are held at bank as reserve under litigation claim.

Off-balance Sheet Arrangements

As at 31 December 2015, the Group did not have any off-balance sheet arrangements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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, 31 May 2016.

CORPORATE GOVERNANCE

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

The Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**Code Provisions**") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. During the reporting period, the Company has complied with the Code Provisions 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 2015, 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 and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") which composes of three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur (Chairman of the Audit Committee), Mr. He Shenghou and Mr. Tong Hin Wor. The consolidated financial statements for the year ended 31 December 2015 has been reviewed by the Audit Committee.

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

Hong Kong, 23 March 2016

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