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 2020

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 2020 (the "**Year**" or "**2020**").

OVERVIEW

The Group's revenue and loss for the Year were approximately HK$389.9 million (2019: HK$478.2 million) and HK$78.7 million (2019: HK$87.4 million), respectively. Basic loss per share for the Year was HK4.2 cents (2019: HK5.0 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2019: Nil).

During the Year, the Group continued to engage in the provision of oilfield and gas field technology services covering various stages in the life of oilfields and gas fields including drilling, well completion and production enhancement as well as trading and manufacturing of oilfield and gas field related products.

As a result of the worldwide outbreak of the coronavirus disease 2019 ("**COVID-19**") pandemic in 2020, global economic activities were severely impacted and the international oil price was depressed, posing great challenges to the global oil and gas industry.

In the domestic market, the COVID-19 pandemic has caused delay in the progress of oilfield and gas field projects in the People's Republic of China (the "**PRC**" or "**China**") after the Chinese New Year as the mobilisation of workforce for these projects was severely restricted. Certain drilling projects have been temporarily suspended and the placement of orders by the customers for well completion tools has been postponed. The Group has gradually resumed the provision of fracturing services for the shale gas fields in southwestern China in late-March 2020 and gradually resumed the provision of drilling services in May 2020.

In the overseas market, the slump in international oil price has caused a decrease in the demands of well completion tools in 2020. In addition, strict traffic control imposed by the overseas governments has also cast great difficulties in workforce mobilisation and therefore reduced the operational efficiency and revenue for the Group's integrated project management and other oilfield services provided in the Middle East market.

In the second quarter of 2020, the Group has commenced the business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment. These new business activities have contributed a revenue of approximately HK$6.6 million in 2020 (2019: Nil).

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41 million (equivalent to approximately HK$49 million) made by various parties to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.#) ("**PK Huizhou**"), (ii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates and (iii) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (collectively referred to as the "**PK Huizhou Transactions**").

Given that Mr. Wang is the chairman of the Company and an executive Director, and through his controlled corporation, is deemed to be interested in approximately 28.32% shareholding of the Company as at the date of the PK Huizhou Transactions, Mr. Wang and his associates are connected persons of the Company. The PK Huizhou Transactions, together with the capital contribution by certain subscribers (including Mr. Wang) in the aggregate amount of RMB25 million to PK Huizhou pursuant to the capital increase agreements dated 23 December 2019, were aggregated as a single transaction and constituted a major and connected transaction of the Company pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The PK Huizhou Transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 1 February 2021. The Group expects that the PK Huizhou Transactions will be completed in the second quarter of 2021. Upon completion of the PK Huizhou Transactions, the Group's shareholding in PK Huizhou will be reduced from the current level of 70% to approximately 38.60% and both PK Huizhou and Star Petrotech will cease to be subsidiaries of the Company.

During the Year, the Group's revenue decreased by approximately 18.5% from approximately HK$478.2 million in 2019 to approximately HK$389.9 million in 2020. Such decrease in revenue was mainly due to the decrease in sales of well completion tools as a result of the unfavorable market environment caused by the worldwide outbreak of the COVID-19 pandemic and the depressed and volatile international oil price throughout the Year. In addition, revenue from the provision of production enhancement services in the Middle East also decreased in 2020 as the customers have slowed down the exploration activities in view of the market uncertainties caused by the COVID-19 pandemic and the depressed international oil price.

Loss for the Year has decreased by approximately 10.0% to approximately HK$78.7 million (2019: HK$87.4 million). Such decrease in loss was primarily attributable to the (i) decrease in net impairment loss on financial assets of approximately HK$62.8 million and (ii) decrease in provision of inventories of approximately HK$18.5 million, which was partly offset by the decrease in profitability as a result of the decrease in revenue and the increase in technical service fees for the production enhancement business and drilling business during the Year.

GEOGRAPHICAL MARKET ANALYSIS

Set out below is the breakdown of revenue by geographical area:

	2020 *(HK$ million)*	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue in 2020** *(%)*	Approximate percentage of total revenue in 2019 *(%)*
China market	**332.8**	353.7	-5.9%	**85.4%**	74.0%
Overseas market	**57.1**	124.5	-54.1%	**14.6%**	26.0%
Total	**389.9**	478.2	-18.5%	**100%**	100%

The Group's revenue from the China market decreased by approximately HK$20.9 million or approximately 5.9% to approximately HK$332.8 million in 2020 from approximately HK$353.7 million in 2019. The decrease in revenue from the China market was mainly due to the decrease in the sales of well completion tools to customers.

The Group's revenue from the overseas market decreased by approximately HK$67.4 million or approximately 54.1% to approximately HK$57.1 million in 2020 from approximately HK$124.5 million in 2019. The decrease in revenue from the overseas market was mainly due to the decrease in sales of well completion tools to the Middle East and other overseas regions and the decreases in production enhancement services and integrated project management services provided in the Middle East.

REVENUE FROM THE CHINA MARKET

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

	2020 *(HK$ million)*	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the China market in 2020** *(%)*	Approximate percentage of total revenue from the China market in 2019 *(%)*
Northern China	**76.8**	69.0	11.3%	**23.1%**	19.5%
Southwestern China	**161.9**	158.0	2.5%	**48.7%**	44.7%
Northwestern China	**28.1**	48.7	-42.3%	**8.4%**	13.8%
Other regions in China	**66.0**	78.0	-15.4%	**19.8%**	22.0%
Total	**332.8**	353.7	-5.9%	**100%**	100%

In 2020, the Group's revenue from Northern China amounted to approximately HK$76.8 million; which has increased by approximately HK$7.8 million or approximately 11.3% from approximately HK$69.0 million in 2019. The increase was mainly due to the increases in the provision of drilling services and sales of well completion tools in this region.

The revenue from Southwestern China amounted to approximately HK$161.9 million in 2020, which has increased by approximately HK$3.9 million or approximately 2.5% from approximately HK$158.0 million in 2019. The increase was mainly due to the increase in fracturing services provided in this region.

The revenue from Northwestern China amounted to approximately HK$28.1 million; which has decreased by approximately HK$20.6 million or approximately 42.3% from approximately HK$48.7 million in 2019. The decrease was mainly due to the decreases in the sales of well completion tools and dissolvable bridge plugs and drilling services provided in Northwestern China.

The revenue from other regions in China amounted to approximately HK$66.0 million in 2020, which has decreased by approximately HK$12.0 million or approximately 15.4% from approximately HK$78.0 million in 2019. The decrease was mainly due to the decreased sales of well completion tools in other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2020	2019	Approximate percentage change	**Approximate percentage of total revenue from the overseas market in 2020**	Approximate percentage of total revenue from the overseas market in 2019
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
The Middle East	**36.2**	89.1	-59.4%	**63.4%**	71.6%
Others	**20.9**	35.4	-41.0%	**36.6%**	28.4%
Total	**57.1**	124.5	-54.1%	**100%**	100%

The revenue from the Middle East amounted to approximately HK$36.2 million in 2020, which has decreased by approximately HK$52.9 million or approximately 59.4% from approximately HK$89.1 million in 2019. The decrease was mainly due to the decrease in sales of well completion tools to the Middle East and other overseas regions and the decrease in production enhancement services and integrated project management services provided to a major customer in the Middle East.

The revenue from other overseas regions amounted to approximately HK$20.9 million in 2020, which has decreased by approximately HK$14.5 million or approximately 41.0% from approximately HK$35.4 million in 2019. The decrease was mainly due to the decrease in the sales of well completion tools in such regions.

OPERATING SEGMENT ANALYSIS

Set out below is the breakdown of revenue by operating segment:

	2020	2019	Approximate percentage change	**Approximate percentage of total revenue in 2020**	Approximate percentage of total revenue in 2019
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Oilfield project tools and services	**339.5**	424.1	-19.9%	**87.1%**	88.7%
Consultancy services	**43.7**	54.1	-19.2%	**11.2%**	11.3%
Others *(Note)*	**6.7**	–	N/A	**1.7%**	–
Total	**389.9**	478.2	-18.5%	**100%**	100%

Note: This represents the other revenue streams of the Group including manufacturing and sales of parts and accessories for medical equipment and machines producing medical supplies and metallic parts, accessories and consumables for civil aerospace equipment and telecommunication equipment.

In 2020, the Group's revenue from oilfield project tools and services amounted to approximately HK$339.5 million, which has decreased by approximately HK$84.6 million or approximately 19.9% from approximately HK$424.1 million in 2019. The decrease was due to the decreased demands of well completion tools in both the China market and overseas market. In addition, revenue from the provision of production enhancement services in the Middle East also decreased in 2020.

The Group's revenue from consultancy services amounted to approximately HK$43.7 million in 2020, which has decreased by approximately HK$10.4 million or approximately 19.2%, from approximately HK$54.1 million in 2019. The revenue decreased mainly because of the decrease in provision of integrated project management services and consultancy services in the Middle East and other overseas regions in 2020.

Oilfield Project Tools and Services

Set out below is the breakdown of revenue from the oilfield project tools and services:

	2020 *(HK$ million)*	2019 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from oilfield project tools and services in 2020** *(%)*	Approximate percentage of total revenue from oilfield project tools and services in 2019 *(%)*
Drilling	**34.3**	26.8	28.0%	**10.1%**	6.3%
Well completion	**69.3**	109.1	-36.5%	**20.4%**	25.7%
Production enhancement	**235.9**	288.2	-18.1%	**69.5%**	68.0%
Total	**339.5**	424.1	-19.9%	**100%**	100%

Drilling

The Group's revenue from drilling amounted to approximately HK$34.3 million in 2020, which has increased by approximately HK$7.5 million or approximately 28.0% from approximately HK$26.8 million in 2019. The increase was mainly due to the increase in provision of drilling services in Northern China, which was partly offset by the decrease in the provision of drilling services in Northwestern China.

In 2020, the Group completed drilling services for 20 wells. The drilling services were mainly provided in Northern China and Northwestern China.

Well Completion

In 2020, the Group's revenue from well completion amounted to approximately HK$69.3 million, which has decreased by approximately HK$39.8 million or approximately 36.5% from approximately HK$109.1 million in 2019. The decrease mainly resulted from the decreased demand in well completion tools in both the China market and overseas market.

The revenue from well completion was mainly derived from the China, the Middle East, and the Africa market.

Production Enhancement

In 2020, the Group's revenue from production enhancement services amounted to approximately HK$235.9 million, which has decreased by approximately HK$52.3 million or approximately 18.1% from approximately HK$288.2 million in 2019. The decrease was mainly due to the decrease of fracturing services provided in the Middle East.

In 2020, the Group provided production enhancement services for 72 wells in the China market.

CUSTOMER ANALYSIS

Customer	**2020**	2019	Approximate percentage change	**Approximate percentage of total revenue in 2020**	Approximate percentage of total revenue in 2019
	(HK$ million)	*(HK$ million)*	*(%)*	***(%)***	*(%)*
Customer 1	**209.3**	209.0	0.1%	**53.7%**	43.7%
Customer 2	**55.5**	58.5	-5.1%	**14.2%**	12.2%
Customer 3	**27.2**	74.9	-63.7%	**7.0%**	15.7%
Customer 4	**19.7**	18.7	5.3%	**5.0%**	3.9%
Customer 5	**10.8**	10.3	4.9%	**2.8%**	2.2%
Customer 6	**10.3**	12.0	-14.2%	**2.6%**	2.5%
Customer 7	**6.5**	10.3	-37.0%	**1.7%**	2.2%
Customer 8	**6.1**	–	N/A	**1.6%**	0%
Other customers	**44.5**	84.5	-47.3%	**11.4%**	17.6%
Total	**389.9**	478.2	-18.5%	**100%**	100%

The revenue from customer 1 amounted to approximately HK$209.3 million in 2020, which was approximately at the same level as in 2019. Despite the decrease in revenue from the provision of fracturing services in Southwestern China, there was increased revenue from the provision of drilling services and sales of underground gas storage facility to this customer. The revenue from customer 2 amounted to approximately HK$55.5 million in 2020, which has decreased by approximately HK$3.0 million or approximately 5.1% from approximately HK$58.5 million in 2019. This decrease was mainly due to the decrease in the provision of production enhancement services in 2020. The revenue from customer 3 amounted to approximately HK$27.2 million in 2020, which has decreased by approximately HK$47.7 million or approximately 63.7% from approximately HK$74.9 million in 2019. Such decrease was mainly attributable to the decrease in production enhancement services and integrated project management services provided to the customer in the Middle East. The revenue from customer 4 amounted to approximately HK$19.7 million in 2020, which has increased by approximately HK$1.0 million or approximately 5.3% from approximately HK$18.7 million in 2019. Such increase resulted from the Group's increased sales of well completion tools in other regions in China. The revenue from customer 5 amounted to approximately HK$10.8 million in 2020, which has increased by approximately HK$0.5 million or approximately 4.9% from approximately HK$10.3 million in 2019. Such increase was due to the increased sales of well completion tools to this customer in other overseas market. The revenue from customer 6 amounted to approximately HK$10.3 million in 2020, which has decreased by approximately HK$1.7 million or approximately 14.2% from approximately HK$12.0 million in 2019. Such decrease resulted from the decrease in drilling services provided to this customer in Northwestern China. The revenue from customer 7 amounted to approximately HK$6.5 million in 2020, which has decreased by approximately HK$3.8 million or approximately 37.0% from approximately HK$10.3 million in 2019. This decrease was mainly attributable to the decrease in consultancy services provided to this customer in other overseas region. The revenue from customer 8 amounted to approximately HK$6.1 million in 2020 (2019: Nil), which was derived from the sales of dissolvable bridge plugs to this customer in Northern China. The revenue from other customers amounted to approximately HK$44.5 million in 2020, which has dropped by approximately HK$40.0 million or approximately 47.3% from approximately HK$84.5 million in 2019. Such decrease in revenue mainly resulted from the decreased sales of well completion tools to certain customers in the China and Middle East market.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures with detailed requirements on compensation, dismissal, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged a series of training courses that cover technical update of drilling and completion technology, technical practice training, control at wells and environment management. We also worked with external organisations such as unions and consultants to provide training for the specific needs of the operations. The Group arranged 83 trainings consisting of more than 8,364 hours in total and 210 employees attended these training programs in 2020.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 395 employees as at 31 December 2020, which has increased by approximately 3.1% as compared with that of 383 employees as at 31 December 2019.

RESEARCH AND DEVELOPMENT

As a high-end integrated oilfield services provider, the Group attaches great importance to technology, and prides itself on introducing innovative products and services in various oilfield service lines, such as directional drilling, multistage fracturing, down-hole completion, surface facilities for safety and flow control, drilling fluids and fracturing liquid. In 2020, the Group continued to seek advancement in technology and introduced new products to the market, including the following:

- Successfully designed, tested and produced 4 ½”-15.1# big bore drillable bridge plug to meet the demand of the China and overseas market. This kind of tools can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Successfully designed, tested and produced 3 ½” 15K PSI surface control sub-surface safety valve which can be used in well completion projects with extra-high pressure and high temperatures.

- Successfully designed and tested 5 ½” metal to metal seal dissolvable bridge plug, 5” 185°C high temperature dissolvable bridge plug and 3 ½” second generation dissolvable bridge plug which can substantially shorten the operation time and in turn save operation cost for multistage perforation fracturing operations.

- Successfully designed dissolvable pump out plug which can be used in multistage perforation fracturing operations.

- Successfully designed 7 $^{7}/_{8}$” 10K PSI 400F High Pressure High Temperature Retrieving Packer.

- Successfully designed 5 ½” 15K PSI 400F High Pressure High Temperature Permanent Packer.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 31 December 2020, the Group had 40 utility model patents and 15 innovation patents and was applying for 6 utility model patents and 24 innovation patents.

In 2021, the Group will continue to focus on the research and development of down-hole completion tools and technologies, as well as certain specific high-end drilling tools and technologies, including 7”x3 ½” and 6 5/8”x2 $^{7}/_{8}$” Hydraulic Set Retrievable Packers, 7” Slimline Tubing Retrievable Safety Valve and Unlimited Multistage Fracturing Sleeve. In order to maintain its leading position in the high-end oilfield service sector, the Group will continue its efforts in developing oilfield service tools and technologies through in-house research and development and through cooperation with oilfield service technology companies.

OUTLOOK

During the Year, Brent crude oil price dropped from approximately US$72/barrel in January 2020 to approximately US$16/barrel in April 2020 as a result of the worldwide outbreak of the COVID-19 pandemic. Global economy was severely impacted by the pandemic. The depressed and volatile international oil price throughout the Year posed great difficulties and challenges to the oil and gas industry.

With the introduction and application of the COVID-19 vaccine since the fourth quarter of 2020, Brent crude oil price has gradually rebounded to approximately US$71/barrel in March 2021. With the gradual recovery of the global economy and rebound in international oil price, the Group is cautiously optimistic that its business will begin to recover in 2021. In addition, with the PRC's national policy to secure national energy safety and to encourage shale gas consumption for environmental protection, major national oil companies in the PRC has set up development plans to accelerate the exploration and development of shale gas fields in the PRC. As a result, the production enhancement services, drilling services and consultancy services provided by the Group will continue to have positive prospects in the next few years. In addition, the Group will continue to focus on the research and development of its oilfield service technologies in order to further enhance our capability to provide high-end oilfield and gas field services in the China and overseas market.

Following the completion of the PK Huizhou Transactions in the second quarter of 2021, the principal activities of the Group will be focused on the provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**332,379**	357,679
Intangible assets		**95,714**	95,462
Right-of-use assets		**33,518**	21,814
Financial asset at fair value through profit or loss		**8,360**	7,298
Interest in an associate		**1,388**	–
Other receivables and deposits		**22,294**	31,219
		493,653	513,472
Current assets			
Inventories		**58,911**	56,890
Trade receivables	*5*	**240,844**	240,498
Contract assets		**118,468**	51,680
Other receivables and deposits		**58,408**	60,352
Prepayments		**15,596**	9,446
Pledged bank deposits		**3,256**	4,803
Cash and cash equivalents		**29,553**	29,447
		525,036	453,116
Current liabilities			
Trade payables	*6*	**172,856**	132,761
Other payables and accruals		**131,095**	83,423
Contract liabilities		**8,694**	12,247
Lease liabilities		**10,152**	2,587
Bank and other borrowings		**235,731**	293,989
		558,528	525,007
Net current liabilities		**(33,492)**	(71,891)
Total assets less current liabilities		**460,161**	441,581

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Bank and other borrowings	**91,496**	25,478
Lease liabilities	**14,003**	10,155
Deferred tax liabilities	**246**	233
	105,745	35,866
Net assets	**354,416**	405,715
EQUITY AND LIABILITIES		
Equity		
Share capital	**2,001,073**	2,001,073
Other reserves	**38,319**	24,216
Accumulated losses	**(1,707,493)**	(1,643,881)
	331,899	381,408
Non-controlling interests	**22,517**	24,307
	354,416	405,715

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**389,934**	478,245
Other income		**625**	852
Operating costs			
Material costs		**(105,880)**	(110,131)
Depreciation of property, plant and equipment		**(53,454)**	(56,407)
Depreciation of right-of-use assets		**(8,829)**	(1,902)
Amortisation of intangible assets		**(92)**	(27)
Expenses related to short term leases		**(4,987)**	(4,362)
Employee benefit expenses		**(71,950)**	(102,110)
Distribution expenses		**(4,943)**	(9,419)
Technical service fees		**(102,627)**	(73,249)
Research and development expenses		**(26,569)**	(13,879)
Entertainment and marketing expenses		**(11,331)**	(16,737)
Other expenses		**(30,551)**	(50,181)
Net impairment loss on financial assets		**(12,471)**	(75,286)
Net impairment loss on contract assets		**(688)**	(522)
Provision for inventories losses		**(3,383)**	(21,874)
Write-off of inventories		**(1,212)**	(1,145)
Write-off of property, plant and equipment		**(7,615)**	(1,193)
Other gains/(losses), net	*7*	**2,845**	(1,390)
Operating loss		**(53,178)**	(60,717)
Finance income	*8*	**56**	79
Finance costs	*8*	**(26,367)**	(24,270)
Finance costs, net		**(26,311)**	(24,191)
Share of results of an associate		**854**	–
Loss before income tax expense		**(78,635)**	(84,908)
Income tax expense	*9*	**(94)**	(2,470)
Loss for the year		**(78,729)**	(87,378)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**21,132**	(10,955)
Other comprehensive income for the year, net of tax		**21,132**	(10,955)
Total comprehensive income for the year		**(57,597)**	(98,333)

	Note	Year ended 31 December **2020** ***HK$'000***	 2019 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(73,025)**	(87,032)
Non-controlling interests		**(5,704)**	(346)
		(78,729)	(87,378)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(52,274)**	(97,987)
Non-controlling interests		**(5,323)**	(346)
		(57,597)	(98,333)
Loss per share attributable to owners of the Company during the year	*10*		
Basic loss per share *(HK cents)*		**(4.2)**	(5.0)
Diluted loss per share *(HK cents)*		**(4.2)**	(5.0)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Petro-king Oilfield Services Limited (the "**Company**") was incorporated in the 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 services covering various stages in the life cycle of oilfields including drilling, well completion and production enhancement as well as trading and manufacturing of oilfield related products.

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

These consolidated financial information are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs – effective 1 January 2020

The Group has applied the following new or amended IFRSs that are first effective for the current accounting period of the Group:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework Financial Reporting

The adoption of the above new or amended IFRSs did not have any significant impact on the preparation of these consolidated financial statements. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period except for the amendment to IFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of these amended IFRSs are summarised below.

Amendments to IFRS 3 — Definition of a Business

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

IFRS 16 was amended to provide a practical expedient for lessees in accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

(b) New/amended IFRSs that have been issued but are not effective

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 3	Reference to the Conceptual Framework[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
IFRS 17 and amendments to IFRS 17	Insurance Contracts[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

3 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all IFRSs and International Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") and Interpretations (collectively "**IFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out in the financial statements.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5 to the financial statements.

(ii) Going concern assumption

During the year ended 31 December 2020, the Group reported a net loss of approximately HK$78,729,000. As at the same date, the Group's current liabilities exceeded its current assets by approximately HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$29,553,000 only.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

(1) During the year ended 31 December 2020, in view of managing the working capital needs of the Group's oilfield projects and services, the Group has entered into various borrowing facilities agreements with a bank located in the PRC with an aggregate amount of approximately RMB113 million (equivalent to approximately HK$135 million), secured by the trade receivables of a production enhancement project in the PRC (the "**Project**"). Up to 31 December 2020, the Group has drawn down approximately RMB100 million (equivalent to approximately HK$119 million). On 22 January 2021, the Group has obtained an additional facility of approximately RMB12 million (equivalent to approximately HK$14 million) from the same bank. These secured borrowings are immediately repayable upon the collection of the trade receivables from the customer of the Project or upon maturity of the banking facilities, whichever is earlier. These borrowings are interest-bearing. The Group is also actively negotiating with the bank for additional financing for the general working capital needs of the Group.

(2) On 26 March 2021, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK$122,000,000 as at 31 December 2020, of which HK$57,000,000 was originally repayable within one year, which bore interest at 5.5% per annum. Pursuant to the supplemental agreement, the amounts of HK$10,000,000, HK$5,000,000 and HK$5,000,000 will be repaid by the Group on 1 May 2021, 1 June 2021 and 1 July 2021, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK$2,000,000 on the first day of each month from August 2021 to December 2022, with a final instalment of HK$68,000,000 to be repaid on 31 December 2022.

(3) On 21 December 2020, the Group has entered into a loan agreement with a shareholder, pursuant to which the shareholder has granted a RMB15,000,000 revolving facility (the "**Shareholder Loan**") to the Group for a term of 18 months from the date of drawdown. Such facility is unsecured and bears interest at 8% per annum. As at 31 December 2020 and as at the date of this announcement, the Group has not utilised this loan facility.

(4) On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41 million (equivalent to approximately HK$49 million) made by various parties to 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.#) ("**Petro-king Huizhou**"), (ii) the disposal of 14.6199% equity interest in Petro-king Huizhou to Mr. Wang Jinlong and his associates and (iii) the disposal of the entire issued shares in Star Petrotech Pte. Ltd. to Petro-king Huizhou (collectively referred to as the "**Petro-king Huizhou Transactions**"). The above transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 1 February 2021. The Group expects to receive total net proceeds of approximately RMB62.5 million (equivalent to approximately HK$74.3 million) in respect of the Petro-king Huizhou Transactions. The Company currently intends to use approximately RMB61.8 million (equivalent to approximately HK$74.0 million) for the repayment of the Group's debt obligations and the remaining proceeds for general working capital purposes. The Group received net proceeds of approximately RMB27.8 million (equivalent to approximately HK$33.0 million) up to March 2021 and the remaining RMB34.7 million (equivalent to approximately HK$41.3 million) is expected to be received in the second quarter of 2021.

(5) The Group is actively looking for additional sources of financing to enhance its financial position and support the plans to expand its operations.

The Directors have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from 31 December 2020. In the opinion of the Directors, in light of the above, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, 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 2020. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through:

(1) successfully maintaining the current facilities and obtaining new facilities from the bank located in the PRC to fund the Group's working capital need for the oilfield and gas field projects in the PRC;

(2) successful draw down of the 2020 Shareholder Loan as and when needed;

(3) successful completion of the Petro-king Huizhou Transactions; and

(4) successful raising of any new sources of financing as and when needed.

Should the Group be unable to achieve the above plans and measures such that it would not be operated as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

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.

(a) Revenue

Revenue recognised during the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Oilfield project tools and services		
– Drilling work	**34,302**	26,776
– Well completion work	**69,353**	109,101
– Production enhancement work	**235,898**	288,210
Total oilfield project tools and services	**339,553**	424,087
Consultancy services		
– Integrated project management services	**15,249**	19,412
– Supervisory services	**28,411**	34,746
Total consultancy services	**43,660**	54,158
Others	**6,721**	–
Total revenue	**389,934**	478,245
Timing of revenue recognition		
At a point in time	**130,277**	167,749
Over time	**259,657**	310,496
	389,934	478,245

For the Group's oilfield project tools and services, contracts are for periods of one year or less. As permitted under IFRS15, the transaction price allocated to the unsatisfied contracts are not disclosed.

For the Group's consultancy services, the Group bills the amount based on the time incurred to provide the services, therefore, the Group uses "right to invoice" practical expedient to recognise revenue in the amount to which the Group has a right to invoice. As permitted under IFRS15, the transaction price allocated to these unsatisfied contracts are not disclosed.

The segment results for the year ended 31 December 2020 are as follows:

	Oilfield project tools and services *HK$'000*	**Consultancy services** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2020				
Total segment revenue	**339,553**	**43,660**	**6,721**	**389,934**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**339,553**	**43,660**	**6,721**	**389,934**
Segment results	**(64,502)**	**21,586**	**305**	**(42,611)**
Net unallocated expenses				**(36,024)**
Loss before income tax				**(78,635)**
Other information:				
Depreciation of property, plant equipment	**(48,086)**	**–**	**–**	**(48,086)**
Amortisation of Intangible assets	**(92)**	**–**	**–**	**(92)**
Depreciation of right-of-use assets	**(1,046)**	**–**	**–**	**(1,046)**
Net impairment loss on financial assets	**(4,596)**	**–**	**–**	**(4,596)**
Net impairment loss on contract assets	**(688)**	**–**	**–**	**(688)**
Provision for inventories losses	**(3,383)**	**–**	**–**	**(3,383)**
Write-off inventories	**(1,212)**	**–**	**–**	**(1,212)**
Write-off property, plant and equipment	**(1,199)**	**–**	**(6,416)**	**(7,615)**
Finance costs	**(5,686)**	**–**	**–**	**(5,686)**

The CODM evaluates performance of reportable segments based on a measure of revenue and revenue less all directly attributable costs.

(b) Segment results

The segment results for the year ended 31 December 2019 are as follows:

	Oilfield project tools and services *HK$'000*	Consultancy services *HK$'000*	Total *HK$'000*
Year ended 31 December 2019			
Total segment revenue	424,087	54,158	478,245
Inter-segment revenue	–	–	–
Revenue from external customers	424,087	54,158	478,245
Segment results	12,122	36,757	48,879
Net unallocated expenses			(133,787)
Loss before income tax			(84,908)
Year ended 31 December 2019			
Other information:			
Depreciation of property, plant and equipment	(47,669)	–	(47,669)
Amortisation of intangible assets	(27)	–	(27)
Depreciation of right-of-use assets	(605)	–	(605)
Net impairment loss on financial assets	(75,286)	–	(72,286)
Net impairment loss on contract assets	(522)	–	(522)
Write-off of inventories	(1,145)	–	(1,145)
Provision for inventories losses	(21,874)	–	(21,874)
Write-off of property, plant and equipment	(1,193)	–	(1,193)
Finance costs	(5,680)	–	(5,680)

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

	2020	2019
	HK$'000	*HK$'000*
Segment results	**(42,611)**	48,879
Unallocated income/(expenses):		
Other income	**625**	852
Depreciation of property, plant and equipment	**(5,368)**	(8,738)
Depreciation of right-of-use assets	**(7,783)**	(1,297)
Expenses related to short-term leases	**(177)**	(3,755)
Employee benefit expenses	**(1,882)**	(59,475)
Entertainment and marketing expenses	**(5,493)**	(9,315)
Other expenses	**–**	(32,159)
Other gains/(losses), net	**3,825**	(1,389)
Finance income	**–**	79
Finance costs	**(20,625)**	(18,590)
Share of results of an associate	**854**	–
Loss before income tax	**(78,635)**	(84,908)

5 TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**250,080**	508,628
Less: provision for impairment of trade receivables	**(9,236)**	(268,130)
Trade receivables – net	**240,844**	240,498

Ageing analysis of gross trade receivables by services completion and delivery date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Up to 3 months	**140,170**	157,043
3 to 6 months	**29,683**	57,136
6 to 12 months	**69,653**	31,572
Over 12 months	**10,574**	262,877
Trade receivables	**250,080**	508,628
Less: provision for impairment of trade receivables	**(9,236)**	(268,130)
Trade receivables – net	**240,844**	240,498

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.

6 TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**172,856**	132,761

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

	2020	2019
	HK$'000	*HK$'000*
Up to 3 months	**78,810**	62,892
3 to 6 months	**48,646**	11,480
6 to 12 months	**8,373**	1,263
Over 12 months	**37,027**	57,126
	172,856	132,761

7 OTHER GAINS/(LOSSES), NET

	2020	2019
	HK$'000	*HK$'000*
Loss on disposals of property, plant and equipment	**(1,893)**	339
Loss on lease modification	**(111)**	–
COVID-19 related rent concessions	**261**	–
Fair value gain on financial assets at FVTPL	**920**	–
Gain on early redemption of 2019 Convertible Bonds	**2,478**	–
Government grant	**1,686**	1,426
Foreign exchange gains, net	**136**	668
Loss on disposal of a subsidiary	**–**	(3,582)
Loss on deregistration of subsidiaries	**(1,105)**	–
Gain on bargain purchase	**142**	–
Others	**331**	(241)
	2,845	(1,390)

8 FINANCE INCOME AND COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses:		
– Bank and other borrowings	**(18,998)**	(18,889)
– Convertible bonds	**(3,997)**	(4,868)
– Finance lease liabilities	**(2,162)**	–
– Lease liabilities	**(1,210)**	(513)
Finance costs	**(26,367)**	(24,270)
Finance income:		
– Interest income from bank deposits	**56**	79
Finance costs, net	**(26,311)**	(24,191)

9 INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Under provision in prior years		
– China corporate tax	**86**	277
Deferred tax	**8**	2,193
Income tax expense	**94**	2,470

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5% (2019: 16.5%) during the year.

(b) PRC corporate 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 CIT rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

As at 31 December 2020, Petro-king Oilfield Technology Limited was approved by relevant local tax bureau authorities a High and New Technological Enterprise, and was entitled to a preferential CIT rate of 15% (2019: 15%) from 2019 to 2022.

The High and New Technological Enterprise qualification is subjected to be renewed every three years. Companies are required to meet certain criteria such as qualified research and 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..

(c) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% for the year ended 31 December 2020 (2019: 17%).

10 LOSS PER SHARE

	2020	2019
Loss attributable to owners of the Company *(HK$'000)*	**(73,025)**	(87,032)
Weighted average number of ordinary shares in issue *(Number of shares in thousand)*	**1,726,674**	1,726,674
Basic loss per share *(HK cents)*	**(4.2)**	(5.0)
Diluted loss per share *(HK cents)*	**(4.2)**	(5.0)

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 increase loss per share.

Diluted loss per share for the year ended 31 December 2020 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2019: Same) as both the conversion of potential ordinary shares in relation to the share options, warrants and the conversion of convertible bonds have an anti-dilutive effect to the basic loss per share.

11 DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

12 ACQUISITION OF SUBSIDIARIES

Acquisition of 深圳市蘇德技術有限公司 (Shenzhen Sude Technology Co., Ltd.)# ("Shenzhen Sude")

On 4 September 2020, PK Huizhou, a 70%-owned indirect subsidiary of the Company, completed the acquisition of 51% equity interests in Shenzhen Sude at a consideration of RMB5 million (equivalent to approximately HK$6 million), which was settled by the issuance of new shares by PK Huizhou. Shenzhen Sude is principally engaged in trading and distribution of dissolvable metal materials in the PRC.

The fair value of the identifiable assets and liabilities of Shenzhen Sude acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	**55**
Inventories	**733**
Trade and other receivables	**13,360**
Bank and cash balances	**18**
Trade and other payables	**(3,739)**
Deferred tax liabilities	**(8)**
Non-controlling interests	**(5,166)**
Net identifiable assets and liabilities acquired	**5,253**
Gain on bargain purchase	**(142)**
Total consideration at fair value	**5,111**

13 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

(i) On 22 January 2021, the Group has obtained an additional facility of approximately RMB12 million (equivalent to approximately HK$14 million) from the same bank located in the PRC as mentioned in part (i) under Note 3(b)(ii). These secured borrowings are immediately repayable upon the collection of the trade receivables from the customer of the Project or upon maturity of the banking facilities, whichever is earlier;

(ii) On 26 March 2021, the Group has successfully entered into a supplemental agreement with a lender to whom the Group owes an outstanding principal loan amount of HK$122,000,000 as at 31 December 2020, of which HK$57,000,000 was originally repayable within one year, which bore interest at 5.5% per annum. Pursuant to the supplemental agreement, the amounts of HK$10,000,000, HK$5,000,000 and HK$5,000,000 will be repaid by the Group on 1 May 2021, 1 June 2021 and 1 July 2021, respectively, while the remaining outstanding principal amount will be repaid by monthly instalments of HK$2,000,000 on the first day of each month from August 2021 to December 2022, with a final instalment of HK$68,000,000 to be repaid on 31 December 2022; and

(iii) On 13 November 2020, the Group entered into certain agreements with various parties in relation to Petro-king Huizhou Transactions. The above transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 1 February 2021. The Group expects to receive total net proceeds of approximately RMB62.5 million (equivalent to approximately HK$74.3 million) in respect of the Petro-king Huizhou Transactions.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(b)(ii) in the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK$78,729,000 during the year ended 31 December 2020. As at the same date, the Group's current liabilities exceeded its current assets by HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position. These conditions, along with other matters as set forth in Note 3(b)(ii) to the consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to approximately HK$389.9 million, which has decreased by approximately 18.5% as compared with that of approximately HK$478.2 million in 2019, representing a decrease of approximately HK$88.3 million. The decrease in revenue was mainly due to the decrease in sales of well completion tools to both the China and overseas market and the decrease in revenue from the provision of production enhancement services in the Middle East. In addition, there was decreased revenue from the provision of integrated project management services in the Middle East market in 2020.

Material Costs

During the Year, the Group's material costs were approximately HK$105.9 million, which has decreased by approximately HK$4.2 million or approximately 3.8% as compared to that of approximately HK$110.1 million in 2019. Material costs represented approximately 27.2% of the revenue in 2020, which was higher than that of approximately 23.0% in 2019. As a result of the global economic uncertainties and depressed international oil price in 2020, the customers have requested for price deduction on the Group's products and services.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK$53.5 million, which has decreased by approximately HK$2.9 million or approximately 5.1% as compared with that of approximately HK$56.4 million in 2019. Depreciation decreased as certain property, plant and equipment has been fully depreciated in the previous year.

Employee Benefit Expenses

During the Year, the Group's employee benefit expenses were approximately HK$72.0 million, which has decreased by approximately HK$30.1 million or approximately 29.5% as compared with that of approximately HK$102.1 million in 2019. The decrease in employee benefit expenses was mainly due to the decrease in share-based compensation and cost control imposed by the Group in 2020.

Distribution Expenses

During the Year, the Group's distribution expenses amounted to approximately HK$4.9 million, which has decreased by approximately HK$4.5 million or approximately 47.9% from approximately HK$9.4 million in 2019. The decrease in distribution expenses resulted from the decrease in revenue and sales activities in 2020.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK$102.6 million, which has increased by approximately HK$29.4 million or approximately 40.2% from approximately HK$73.2 million in 2019. During 2020, the Group has utilised more external technical services for its drilling services and production enhancement services provided to customers.

Entertainment and Marketing Expenses

During the Year, entertainment and marketing expenses amounted to approximately HK$11.3 million, which has decreased by approximately HK$5.4 million or approximately 32.3% from approximately HK$16.7 million in 2019, mainly attributable to the decrease in sales and scale of operations in 2020.

Other Expenses

During the Year, the Group's other expenses were approximately HK$30.6 million, which has decreased by approximately HK$19.6 million or approximately 39.0% from approximately HK$50.2 million in 2019, mainly attributable to the decrease in non-employee share-based compensation resulting from the issue of the 10% guaranteed convertible bonds for a term up to 23 May 2021 in the aggregate principal amount of HK$30,000,000 issued by the Company on 21 March 2019 to Asian Equity Special Opportunities Portfolio Master Fund Limited and Ms. Ng Man Chi pursuant to the announcement of the Company dated 21 March 2019 (the "**2019 Convertible Bonds**") and the decrease in sales and scale of operations in 2020.

Net Impairment Loss on Financial Assets

During the Year, net impairment loss on financial assets amounted to approximately HK$12.5 million, which has decreased by approximately HK$62.8 million or approximately 83.4% from approximately HK$75.3 million in 2019. Such decrease in net impairment loss on financial assets was due to the overall improvement in the quality of the financial assets in 2020. The net impairment loss on financial assets in 2020 was mainly related to certain customers in China and the Middle East market.

Provision for Inventories Losses/Write-off of Inventories

During the Year, the provision for inventories losses and write-off of inventories amounted to approximately HK$4.6 million, which has decreased by approximately HK$18.4 million or approximately 80% from approximately HK$23.0 million in 2019. Such decrease in inventories losses/write-off was due to the decrease in the amount of obsolete inventories in 2020 as the Group has strengthened its inventory control measures.

Write-off of Property, Plant and Equipment

During the Year, write-off of property, plant and equipment amounted to approximately HK$7.6 million, which has increased by approximately HK$6.4 million or approximately 533.3% from approximately HK$1.2 million in 2019, as certain obsolete equipment was written off in 2020.

Operating Loss

As a result of the foregoing, the Group's operating loss in 2020 amounted to approximately HK$53.2 million, which has dropped by approximately HK$7.5 million or approximately 12.4% as compared to that of approximately HK$60.7 million in 2019.

Net Finance Costs

During the Year, the Group's net finance costs amounted to approximately HK$26.3 million, which has increased by approximately HK$2.1 million or approximately 8.7% as compared with that of approximately HK$24.2 million in 2019. Such increase in net financing costs resulted from the increase in finance lease liabilities and lease liabilities in 2020.

Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK$78.7 million, which has decreased by approximately HK$8.7 million or approximately 10.0% as compared with that of approximately HK$87.4 million in 2019.

Loss Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company in 2020 was approximately HK$73.0 million, which has decreased by approximately HK$14.0 million or approximately 16.1% as compared with that of approximately HK$87.0 million in 2019.

Property, Plant and Equipment

Property, plant and equipment mainly include items such as buildings, plant and machinery, service equipment, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 31 December 2020, the Group's property, plant and equipment amounted to approximately HK$332.4 million, which has decreased by approximately HK$25.3 million or approximately 7.1% from approximately HK$357.7 million as at 31 December 2019. The decrease was primarily due to the depreciation of the property, plant and equipment in 2020.

Intangible Assets

As at 31 December 2020, the Group's intangible assets amounted to approximately HK$95.7 million, which is similar to approximately HK$95.5 million as at 31 December 2019.

Right-of-use Assets

As at 31 December 2020, the Group's right-of-use assets amounted to approximately HK$33.5 million, which has increased by approximately HK$11.7 million or approximately 53.7% from approximately HK$21.8 million as at 31 December 2019. The increase was mainly due to the leasing of machinery and equipment in 2020.

Inventories

As at 31 December 2020, the Group's inventories amounted to approximately HK$58.9 million, representing an increase of approximately HK$2.0 million or approximately 3.5% as compared with that of approximately HK$56.9 million as at 31 December 2019. The average turnover days of inventories decreased from approximately 229 days in 2019 to approximately 197 days in 2020. The decrease of inventories turnover days was mainly due to the decrease in the purchase of inventories in 2020.

Trade Receivables

As at 31 December 2020, the Group's trade receivables amounted to approximately HK$240.8 million, representing an increase of approximately HK$0.3 million or approximately 0.1% as compared with that of approximately HK$240.5 million as at 31 December 2019. The average turnover days of trade receivables were approximately 226 days in 2020, representing an increase of approximately 55 days as compared with that of approximately 171 days in 2019. The increase in turnover days of trade receivables mainly resulted from the slowdown of payments from customers as a result of the economic uncertainties amid the outbreak of the COVID-19 pandemic in 2020.

Trade Payables

As at 31 December 2020, the Group's trade payables were approximately HK$172.9 million, which has increased by approximately HK$40.1 million or approximately 30.0% as compared with that of approximately HK$132.8 million as at 31 December 2019. The average turnover days of trade payables increased from approximately 260 days in 2019 to approximately 265 days in 2020, representing an increase of approximately 5 days. The increase in turnover days of trade payables resulted from moderate slowdown of payments made to some of the Group's suppliers in 2020.

Liquidity and Capital Resources

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

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$29.6 million, representing an increase of approximately HK$0.2 million as compared with that of approximately HK$29.4 million as at 31 December 2019. The cash and cash equivalents were mainly held in RMB and US$.

As at 31 December 2020, the Group's bank facilities of approximately HK$139.2 million (2019: HK$93.8 million) were granted by banks to subsidiaries, of which approximately HK$121.4 million (2019: HK$93.8 million) have been utilised by the subsidiaries.

During the Year, the Group reported a net loss of approximately HK$78,729,000. As at the same date, the Group's current liabilities exceeded its current assets by HK$33,492,000 and had total bank and other borrowings of approximately HK$235,731,000 that are due within twelve months from the date of the consolidated statement of financial position, while its cash and cash equivalents amounted to approximately HK$29,553,000 only.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3(b)(ii) of the consolidated financial information.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 47.3% (2019: 42.3%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated financial information) less total cash (including "pledged bank deposits" and "cash and cash equivalents" as shown in the consolidated financial information). Total capital is calculated as "equity" as shown in the consolidated financial information plus net debt.

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 US$ and RMB. Foreign exchange risk mainly arises from trade and other receivables, cash and cash equivalents, trade and other payables, intra-group balance and bank borrowings in foreign currencies.

Capital Commitment

As at 31 December 2020, the Group did not have any capital commitment (2019: Nil).

Off-balance Sheet Arrangements

As at 31 December 2020, the Group did not have any off-balance sheet arrangements (2019: Nil).

Significant Events after the End of the Reporting Period

Other than those disclosed in Note 13 to the consolidated financial information in this announcement, no other significant event has occurred after the end of the reporting period and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 June 2021 to 18 June 2021, 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 11 June 2021.

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, two non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During the Year, the Company has complied with the Code Provisions.

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

For the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

Pursuant to the requirements of the Code Provisions and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising three independent non-executive Directors, namely Mr. Leung Lin Cheong (the Chairman of the Audit Committee), Mr. Xin Junhe and Mr. Tong Hin Wor. The consolidated financial statements for the Year have been reviewed by the Audit Committee.

\# *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 30 March 2021

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 and Ms. Ma Hua; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe.