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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 2022

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 2022 (the “**Year**” or “**2022**”).

OVERVIEW

The Group’s revenue and loss for the Year were approximately HK\$313.8 million (2021: HK\$233.8 million, including continuing and discontinued operations) and HK\$27.5 million (2021: HK\$76.7 million, including continuing and discontinued operations), respectively. Basic loss per share attributable to owners of the Company for the Year was HK1.7 cents (2021: HK4.7 cents, including continuing and discontinued operations). The Board has resolved not to recommend the payment of any final dividend for the Year (2021: 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 of oilfield and gas field related products.

As a result of the strong international oil price in 2022 and the national policy of the People’s Republic of China (the “**PRC**”) to encourage shale gas consumption for environmental protection, there was strong market demands for production enhancement services offered by the Group to work on certain shale gas field projects in the PRC, which contributed to the substantial increase in revenue of the Group during the Year.

During the Year, the Group has acquired a total of 8 units of new mechanical fracturing trucks at an aggregate consideration of approximately RMB76,000,000 (tax inclusive) (equivalent to approximately HK\$85,000,000) and disposed of 4 units of old hydraulic fracturing trucks at an aggregate consideration of approximately RMB20,000,000 (tax inclusive) (equivalent to approximately HK\$22,782,000). The purchase of these new equipment allowed the Group to upgrade its existing fracturing equipment to enhance its competitiveness and quality of services, as well as to fulfil the uplifted industry standards and requirements, and to cope with the increasing market demands for production enhancement services in the PRC. Further details of such acquisition of new equipment and disposal of old equipment are set out in the Company’s announcements dated 26 August 2022, 28 September 2022 and 24 October 2022 and the Company’s circular dated 22 November 2022, respectively.

The disposal of 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) (“**Petro-king Huizhou**”) in June 2021 constituted discontinued operations in the financial statements as it represented the cessation of a major line of business in the manufacturing of oilfield products. Comparative financial figures from continuing operations in 2021 were used for the purpose of analysing the Group’s revenue and financial performance for the Year.

During the Year, the Group’s revenue increased by approximately 91.3% from approximately HK\$164.0 million in 2021 to approximately HK\$313.8 million in 2022.

GEOGRAPHICAL MARKET ANALYSIS

Set out below is a breakdown of revenue by geographical areas:

	2022	2021	Approximate percentage change	Approximate percentage of total revenue in 2022	Approximate percentage of total revenue in 2021
	(HK\$ million)	(HK\$ million)	(%)	(%)	(%)
China market	278.6	133.9	108.1%	88.8%	81.6%
Overseas market	35.2	30.1	16.9%	11.2%	18.4%
Total	<u>313.8</u>	<u>164.0</u>	<u>91.3%</u>	<u>100%</u>	<u>100%</u>

The Group's revenue from the China market increased by approximately HK\$144.7 million or approximately 108.1% to approximately HK\$278.6 million in 2022 from approximately HK\$133.9 million in 2021. The increase in revenue from the China market was mainly due to the increase in the production enhancement services provided to customers.

The Group's revenue from the overseas market increased by approximately HK\$5.1 million or approximately 16.9% to approximately HK\$35.2 million in 2022 from approximately HK\$30.1 million in 2021. The increase in revenue from the overseas market was mainly due to the increase in supervisory services and production enhancement services provided in the Middle East and the increase in supervisory services and integrated project management services provided in other overseas regions.

REVENUE FROM THE CHINA MARKET

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

	2022 (HK\$ million)	2021 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 2022 (%)	Approximate percentage of total revenue from the China market in 2021 (%)
Northern China	62.1	57.2	8.6%	22.3%	42.7%
Southwestern China	174.6	27.4	537.2%	62.7%	20.5%
Northwestern China	36.5	24.9	46.6%	13.1%	18.6%
Other regions in China	5.4	24.4	-77.9%	1.9%	18.2%
Total	<u>278.6</u>	<u>133.9</u>	<u>108.1%</u>	<u>100%</u>	<u>100%</u>

In 2022, the Group's revenue from Northern China amounted to approximately HK\$62.1 million, which increased by approximately HK\$4.9 million or approximately 8.6% from approximately HK\$57.2 million in 2021. The increase was mainly due to the increase in production enhancement services provided in Northern China, partly offset by the decrease in drilling services provided in this region.

The revenue from Southwestern China amounted to approximately HK\$174.6 million in 2022, which increased by approximately HK\$147.2 million or approximately 537.2% from approximately HK\$27.4 million in 2021. The increase was mainly due to the increase in production enhancement services provided in this region.

The revenue from Northwestern China amounted to approximately HK\$36.5 million, which increased by approximately HK\$11.6 million or approximately 46.6% from approximately HK\$24.9 million in 2021. The increase was mainly due to the increase in the drilling services provided in this region.

The revenue from other regions in China amounted to approximately HK\$5.4 million in 2022, which decreased by approximately HK\$19.0 million or approximately 77.9% from approximately HK\$24.4 million in 2021. The decrease was mainly due to the decrease in production enhancement services provided to other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2022 (HK\$ million)	2021 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the overseas market in 2022 (%)	Approximate percentage of total revenue from the overseas market in 2021 (%)
The Middle East	30.6	29.1	5.2%	86.9%	96.7%
Others	4.6	1.0	360.0%	13.1%	3.3%
Total	<u>35.2</u>	<u>30.1</u>	<u>16.9%</u>	<u>100%</u>	<u>100%</u>

The revenue from the Middle East amounted to approximately HK\$30.6 million in 2022, which increased by approximately HK\$1.5 million or approximately 5.2% from approximately HK\$29.1 million in 2021. The increase was mainly due to the increase in supervisory services and production enhancement services provided in the Middle East, partly offset by the decrease in the sales of well completion tools in this region.

The revenue from other overseas regions amounted to approximately HK\$4.6 million in 2022, which increased by approximately HK\$3.6 million or approximately 360.0% from approximately HK\$1.0 million in 2021. The increase was mainly due to the increase in supervisory services and integrated project management services provided in such regions.

OPERATING SEGMENT ANALYSIS

Set out below is a breakdown of revenue by operating segments:

	2022	2021	Approximate percentage change	Approximate percentage of total revenue in 2022	Approximate percentage of total revenue in 2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Oilfield project tools and services	277.8	135.9	104.4%	88.5%	82.9%
Consultancy services	36.0	28.1	28.1%	11.5%	17.1%
Total	313.8	164.0	91.3%	100%	100%

In 2022, the Group's revenue from oilfield project tools and services amounted to approximately HK\$277.8 million, which increased by approximately HK\$141.9 million or approximately 104.4% from approximately HK\$135.9 million in 2021. The increase was mainly due to the increase in production enhancement services provided in the China market.

The Group's revenue from consultancy services amounted to approximately HK\$36.0 million in 2022, which increased by approximately HK\$7.9 million or approximately 28.1%, from approximately HK\$28.1 million in 2021. The increase was mainly due to the increase in supervisory services provided in both the China market and the overseas market.

Oilfield Project Tools and Services

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

	2022 (HK\$ million)	2021 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 2022 (%)	Approximate percentage of total revenue from oilfield project tools and services in 2021 (%)
Drilling	25.1	28.8	-12.8%	9.0%	21.2%
Well completion	9.3	10.8	-13.9%	3.3%	7.9%
Production enhancement	243.4	96.3	152.8%	87.7%	70.9%
Total	<u>277.8</u>	<u>135.9</u>	<u>104.4%</u>	<u>100%</u>	<u>100%</u>

Drilling

The Group's revenue from drilling amounted to approximately HK\$25.1 million in 2022, which decreased by approximately HK\$3.7 million or approximately 12.8% from approximately HK\$28.8 million in 2021. The decrease was mainly due to the decrease in drilling services provided in Northern China, partly offset by the increase in drilling services provided in Northwestern China.

In 2022, the Group completed drilling services for 14 wells (2021: 22). The drilling services were mainly provided in Northern China and Northwestern China.

Well Completion

In 2022, the Group's revenue from well completion amounted to approximately HK\$9.3 million, which decreased by approximately HK\$1.5 million or approximately 13.9% from approximately HK\$10.8 million in 2021. The decrease was mainly due to the decrease in the sales of well completion tools in both the China market and the overseas market in 2022.

The revenue from well completion in 2022 was mainly derived from the China market.

Production Enhancement

In 2022, the Group's revenue from production enhancement services amounted to approximately HK\$243.4 million, which increased by approximately HK\$147.1 million or approximately 152.8% from approximately HK\$96.3 million in 2021. The increase was mainly due to the increase in production enhancement services provided in Southwestern China and Northern China.

CUSTOMER ANALYSIS

Customer	2022 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue in 2022 <i>(%)</i>	Approximate percentage of total revenue in 2021 <i>(%)</i>
Customer 1	217.3	68.9	215.4%	69.3%	42.0%
Customer 2	48.1	44.0	9.3%	15.3%	26.8%
Customer 3	28.3	24.6	15.0%	9.0%	15.0%
Customer 4	7.7	2.5	208.0%	2.5%	1.5%
Customer 5	2.6	–	N/A	0.8%	–
Other customers	9.8	24.0	-59.2%	3.1%	14.7%
Total	313.8	164.0	91.3%	100%	100%

The revenue from customer 1 amounted to approximately HK\$217.3 million in 2022, which increased by approximately HK\$148.4 million or approximately 215.4% from approximately HK\$68.9 million in 2021. The increase was mainly due to the increase in production enhancement services provided to this customer in Southwestern China. The revenue from customer 2 amounted to approximately HK\$48.1 million in 2022, which increased by approximately HK\$4.1 million or approximately 9.3% from approximately HK\$44.0 million in 2021. This increase was mainly due to the increase in production enhancement services provided to this customer in Northern China. The revenue from customer 3 amounted to approximately HK\$28.3 million in 2022, which increased by approximately HK\$3.7 million or approximately 15.0% from approximately HK\$24.6 million in 2021. Such increase was mainly attributable to the increase in supervisory services provided to this customer in the Middle East. The revenue from customer 4 amounted to approximately HK\$7.7 million in 2022, which increased by approximately HK\$5.2 million or approximately 208.0% from approximately HK\$2.5 million in 2021. Such increase resulted from the increase in production enhancement services provided to this customer in Southwestern China. The revenue from customer 5 amounted to approximately HK\$2.6 million in 2022 (2021: Nil), which was derived from integrated project management services provided to this customer in other overseas region. The revenue from other customers amounted to approximately HK\$9.8 million in 2022, which dropped by approximately HK\$14.2 million or approximately 59.2% from approximately HK\$24.0 million in 2021. Such decrease in revenue mainly resulted from the decrease in production enhancement services provided to certain customers in other regions in China and the decrease in the sales of well completion tools to certain customers in the Middle East region and other regions in China.

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 have also worked with external organisations such as unions and consultants to provide trainings for the specific needs of the Group's operations. The Group arranged 108 trainings consisting of more than 8,328 hours in total and 186 employees attended these training programs in 2022.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 248 employees as at 31 December 2022, which increased by approximately 16.4% as compared with that of 213 employees as at 31 December 2021. The number of employees increased in 2022 as additional technicians were hired to cope with the increase in production enhancement services provided by the Group.

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.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 31 December 2022, the Group had 12 utility model patents and 6 innovation patents and was applying for 4 innovation patents.

In 2023, the Group will continue its efforts in developing technologies through in-house research and development and through cooperation with oilfield service technology companies and institutes.

OUTLOOK

During the Year, the Brent crude oil price was strong and stayed at above US\$75/barrel throughout the Year. The removal of epidemic preventive measures by China and other countries will encourage travelling and will boost the global demand for energy, and will also increase the operational efficiency for the Group's provision of oilfield and gas field services to its customers. With the international oil price remaining stable, the Group believes that the market demands for production enhancement services and other oilfield services offered by the Group will remain strong in 2023.

Since the completion of the Petro-king Huizhou transactions in the second quarter of 2021, the Group has been 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 as its principal activities.

Looking ahead to 2023, we will continue to put efforts into the marketing and promotion of the Group's oilfield services and technologies so as to increase our market penetration. In addition, the Group will continue to explore other investment opportunities that have earning potentials to expand its existing operations and to diversify its business, including but not limited to underground thermal energy projects. With the committed efforts of our staff and management, we are cautiously optimistic on the prospects of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Revenue	4	313,771	163,967
Operating costs			
Material costs		(70,689)	(11,447)
Depreciation of property, plant and equipment		(35,274)	(39,705)
Depreciation of right-of-use assets		(1,856)	(2,010)
Expenses related to short-term leases		(3,767)	(3,590)
Employee benefit expenses		(57,016)	(54,814)
Distribution expenses		(5,062)	(5,283)
Technical service fees		(124,217)	(50,100)
Research and development expenses		(15,619)	(17,696)
Entertainment and marketing expenses		(7,083)	(13,343)
Other expenses		(21,703)	(19,611)
Net reversal of impairment/(impairment loss) on financial assets		5,697	(9,599)
Net (impairment loss)/reversal of impairment on contract assets		(10)	234
Impairment loss on property, plant and equipment		–	(15,318)
Impairment loss on goodwill		–	(9,800)
Write-down of inventories to net realisable value		(4,040)	(2,047)
Write-off of inventories		–	(1,135)
Other gains and losses, net	5	2,546	10,774
Operating loss		(24,322)	(80,523)
Finance income	6	4,773	2,148
Finance costs	6	(10,808)	(20,497)
Finance costs, net		(6,035)	(18,349)
Share of net profits of associates		3,639	4,396
Loss before income tax expense		(26,718)	(94,476)
Income tax expense	7	(822)	(153)
Loss for the year from continuing operations		(27,540)	(94,629)
Discontinued operations			
Profit for the year from discontinued operations	12	–	17,897
Loss for the year		(27,540)	(76,732)

	Notes	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(3,987)	20,020
Release of translation reserve upon disposal of subsidiaries		–	1,171
Release of translation reserve upon deemed disposal of associates		485	–
Share of other comprehensive income of associates		1,855	–
		<u>(1,647)</u>	<u>21,191</u>
Other comprehensive income for the year, net of tax			
		<u>(1,647)</u>	<u>21,191</u>
Total comprehensive income for the year		<u>(29,187)</u>	<u>(55,541)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(28,588)	(94,461)
– Discontinued operations		–	12,676
		<u>(28,588)</u>	<u>(81,785)</u>
Loss for the year attributable to owners of the Company			
		<u>(28,588)</u>	<u>(81,785)</u>
Non-controlling interests			
– Continuing operations		1,048	(168)
– Discontinued operations		–	5,221
		<u>1,048</u>	<u>5,053</u>
Profit for the year attributable to non-controlling interests			
		<u>1,048</u>	<u>5,053</u>
		<u>(27,540)</u>	<u>(76,732)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(30,209)	(64,324)
Non-controlling interests		1,022	8,783
		<u>(29,187)</u>	<u>(55,541)</u>
(Loss)/earnings per share attributable to owners of the Company during the year			
(Loss)/earnings per share – basic and diluted (HK cents)			
Continuing operations	8	(1.7)	(5.4)
Discontinued operations	8	–	0.7
		<u>(1.7)</u>	<u>(4.7)</u>
Continuing and discontinued operations			
		<u>(1.7)</u>	<u>(4.7)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		163,713	157,586
Intangible assets		85,656	85,656
Right-of-use assets		3,790	1,683
Financial asset at fair value through profit or loss (“FVTPL”)		6,170	8,587
Interests in associates		73,724	67,250
Other receivables and deposits		37,370	303
		370,423	321,065
Current assets			
Inventories		12,860	24,348
Trade receivables	<i>10</i>	220,653	184,990
Contract assets		107,673	23,727
Other receivables and deposits		59,773	117,521
Prepayments		12,071	17,393
Pledged bank deposits		–	969
Cash and cash equivalents		39,959	26,477
		452,989	395,425
Current liabilities			
Trade payables	<i>11</i>	243,720	158,598
Other payables and accruals		86,187	79,123
Contract liabilities		625	940
Lease liabilities		1,521	1,616
Bank and other borrowings		95,225	115,060
		427,278	355,337
Net current assets		25,711	40,088
Total assets less current liabilities		396,134	361,153

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	132,126	70,200
Lease liabilities	2,273	274
	<u>134,399</u>	<u>70,474</u>
Net assets	<u>261,735</u>	<u>290,679</u>
EQUITY		
Capital and reserves		
Share capital	2,001,073	2,001,073
Other reserves	44,307	74,217
Accumulated losses	(1,789,334)	(1,789,278)
	<u>256,046</u>	<u>286,012</u>
Equity attributable to owners of the Company	256,046	286,012
Non-controlling interests	5,689	4,667
	<u>261,735</u>	<u>290,679</u>
Total equity	<u>261,735</u>	<u>290,679</u>

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, VG1110.

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 consultancy services for oilfields and gas fields with auxiliary activities in the trading of oilfield and gas field related products. During the year ended 31 December 2021, the Group had discontinued its manufacturing business in relation to oilfield related products.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 March 2013.

2 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

(a) Adoption of amended IFRSs – effective 1 January 2022

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

Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract

The adoption of the above amended IFRSs did not have any significant impact on the preparation of these consolidated financial statements.

(b) New/amended IFRSs that have been issued but are not yet 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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
IFRS 17	Insurance Contracts and the related amendments ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect these new accounting standards and amendments issued but not yet effective, to have a material impact on the Group.

3 BASIS OF PREPARATION

(a) Statement of compliance

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

The preparation of consolidated 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 consolidated financial statements.

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

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

(ii) Going concern assumption

The Group reported a net loss of approximately HK\$27,540,000 during the year ended 31 December 2022, and as of that date, the Group had total current bank and other borrowings of approximately HK\$95,225,000, while the Group only had cash and cash equivalents of approximately HK\$39,959,000.

These conditions may cast significant doubt on the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the directors of the Company (the "**Directors**") have prepared a cash flow forecast (the "**Forecast**") covering the next fifteen months from the end of reporting period. In preparing the Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and also have taken account of the following plans and measures:

- (a) As at 31 December 2022, the Group had unutilised facilities available for drawdown totalling RMB53,466,000 (the "**Unutilised Facilities**"), comprising RMB30,000,000 from a shareholder, and RMB19,000,000 and HK\$5,000,000 from certain independent lenders. Subsequent to 31 December 2022, the Group has not drawn down the Unutilised Facilities;
- (b) In March 2023, the Group has obtained additional loan facilities with an aggregate amount of RMB3,980,000 from a bank located in the People's Republic of China (the "**PRC**"). The Group is also actively negotiating with the same bank for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC; and
- (c) Repayment from Petro-king Energy Technology (Huizhou) Co., Ltd. ("**Petro-king Huizhou**") and its subsidiaries (together the "**Petro-king Huizhou Group**") of certain loan facilities with outstanding principal amount of approximately US\$2,601,000, RMB15,000,000 and RMB8,000,000 as at 31 December 2022 respectively.

In the opinion of the Directors, the Group will have sufficient financial resources to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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:

- (i) successfully drawing down the Unutilised Facilities as and when needed;
- (ii) successfully obtaining new loan facilities from the bank located in the PRC to fund the working capital needs of the Group for the oilfield and gas field projects in the PRC; and
- (iii) repayment from the Petro-king Huizhou Group.

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 realisable 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 for a few entities which deal with diversified operations. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The segment of oilfield project tools and services comprised drilling, well completion and production enhancement with auxiliary activities in the trading of oilfield and gas field related products ("**Oilfield Services Business**") as well as manufacturing business in relation to oilfield and gas field related products ("**Manufacturing Business**"). During the year ended 31 December 2021, the Group had discontinued its Manufacturing Business upon the disposal of Petro-king Huizhou.

Others included 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. During the year ended 31 December 2021, the Group had discontinued its business under the segment of "Others" upon the disposal of Petro-king Huizhou.

(a) Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services – Oilfield Services Business		
– Drilling work	25,110	28,512
– Well completion work	9,296	10,730
– Production enhancement work	243,275	96,270
	<u>277,681</u>	<u>135,512</u>
Consultancy services		
– Integrated project management services	2,621	2,199
– Supervisory services	33,390	25,927
	<u>36,011</u>	<u>28,126</u>
	313,692	163,638
Revenue from other sources:		
Oilfield project tools and services – Oilfield Services Business		
– Rental services	79	329
	<u>313,771</u>	<u>163,967</u>
Discontinued operations:		
Revenue from contracts with customers within the scope of IFRS 15		
Oilfield project tools and services – Manufacturing Business		
– Well completion work	–	59,840
– Production enhancement work	–	3,312
	<u>–</u>	<u>63,152</u>
Others	–	6,676
	<u>–</u>	<u>69,828</u>
Total revenue	<u>313,771</u>	<u>233,795</u>
Timing of revenue recognition within the scope of IFRS 15		
– At a point in time	7,496	77,246
– Over time	306,196	156,220
	<u>313,692</u>	<u>233,466</u>
Revenue from other sources	79	329
	<u>313,771</u>	<u>233,795</u>

(b) **Segment results**

The segment results for the year ended 31 December 2022 are as follows:

	Continuing Operations		Total <i>HK\$'000</i>
	Oilfield project tools and services – Oilfield Services Business <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	
Year ended 31 December 2022			
Revenue from external customers	277,760	36,011	313,771
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>
Total segment revenue	<u>277,760</u>	<u>36,011</u>	<u>313,771</u>
Segment results	<u>(39,974)</u>	<u>20,461</u>	<u>(19,513)</u>
Net unallocated expenses			<u>(7,205)</u>
Loss before income tax expense			<u>(26,718)</u>

The segment results for the year ended 31 December 2021 are as follows:

	Continuing Operations		Discontinued Operations		Total <i>HK\$'000</i>
	Oilfield project tools and services – Oilfield Services Business <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Oilfield project tools and services – Manufacturing Business <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Year ended 31 December 2021					
Revenue from external customers	135,841	28,126	63,152	6,676	233,795
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>9,649</u>	<u>–</u>	<u>9,649</u>
Reconciliation	135,841	28,126	72,801	6,676	243,444
Elimination of inter-segment revenue	<u>–</u>	<u>–</u>	<u>(9,649)</u>	<u>–</u>	<u>(9,649)</u>
Total segment revenue	<u>135,841</u>	<u>28,126</u>	<u>63,152</u>	<u>6,676</u>	<u>233,795</u>
Segment results	<u>(90,662)</u>	<u>3,228</u>	<u>22,182</u>	<u>(1,258)</u>	<u>(66,510)</u>
Net unallocated expenses					<u>(7,042)</u>
Loss before income tax expense					<u>(73,552)</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment results	(19,513)	(66,510)
Segment profit from discontinued operations	–	(20,924)
Depreciation of property, plant and equipment	(393)	(173)
Depreciation of right-of-use assets	(1,588)	(1,938)
Other gains and losses, net	2,546	10,774
Finance costs	(5,460)	(11,733)
Finance income	4,773	2,164
Share of net profits of associates	3,639	4,396
Other unallocated corporate expenses	(10,722)	(10,532)
	<u>(26,718)</u>	<u>(94,476)</u>
Consolidated loss before income tax expense from continuing operations	<u>(26,718)</u>	<u>(94,476)</u>

5 OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations:		
Loss on disposals of property, plant and equipment	(2,944)	(372)
Gain on dilution of interests in associates	374	–
Fair value gain on financial assets at FVTPL	131	157
Gain on deregistration of financial assets at FVTPL	19	–
Government grant	4,511	12,699
Foreign exchange gains/(losses), net	305	(1,872)
Others	150	162
	<u>2,546</u>	<u>10,774</u>
Discontinued operations:		
Government grant	–	398
Foreign exchange gains, net	–	888
Others	–	(4,333)
	<u>–</u>	<u>(3,047)</u>
	<u>2,546</u>	<u>7,727</u>

6 FINANCE INCOME AND COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations:		
Interest income from bank deposits	53	415
Interest income from related parties	3,768	1,733
Interest income from others	952	–
	<u>4,773</u>	<u>2,148</u>
Discontinued operations:		
Interest income from bank deposits	–	16
Finance income	<u>4,773</u>	<u>2,164</u>
Continuing operations:		
Interest expenses:		
– Bank and other borrowings	(10,235)	(16,655)
– 2020 Bonds	(403)	(3,693)
– Lease liabilities	(170)	(149)
	<u>(10,808)</u>	<u>(20,497)</u>
Discontinued operations:		
Interest expenses:		
– Bank and other borrowings	–	(2,038)
– Lease liabilities	–	(472)
	<u>–</u>	<u>(2,510)</u>
Finance costs	<u>(10,808)</u>	<u>(23,007)</u>
Finance costs, net	<u>(6,035)</u>	<u>(20,843)</u>

7 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations:		
Current tax		
– PRC corporate income tax	925	–
Over provision in prior year	(103)	–
Deferred tax	–	153
	<u>822</u>	<u>153</u>
Discontinued operations:		
Current tax		
– PRC corporate income tax	–	3,027
	–	3,027
Income tax expense	<u>822</u>	<u>3,180</u>

8 LOSS PER SHARE

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.

	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,726,674</u>	<u>1,726,674</u>

(a) From continuing and discontinued operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(28,588)</u>	<u>(81,785)</u>

(b) From continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(28,588)	(81,785)
Less: profit for the year from discontinued operations	<u>–</u>	<u>12,676</u>
Loss for the purpose of calculating basic loss per share from continuing operations	<u>(28,588)</u>	<u>(94,461)</u>

(c) From discontinued operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year for the purpose of calculating basic earnings per share from discontinued operations	<u>–</u>	<u>12,676</u>

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 from continuing operations.

Diluted loss per share for the year ended 31 December 2022 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2021: Same) as the conversion of potential ordinary shares in relation to the share options and warrants (2021: share options and warrants) have an anti-dilutive effect to the basic loss per share from continuing operations.

9 DIVIDEND

For the year ended 31 December 2022, no interim dividend was declared by the Company to its shareholders (2021: Nil).

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

10 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	236,554	203,700
Less: provision for impairment of trade receivables	<u>(15,901)</u>	<u>(18,710)</u>
Trade receivables – net	<u>220,653</u>	<u>184,990</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 3 months	203,191	68,883
3 to 6 months	2,098	16,176
6 to 12 months	11,745	18,762
Over 12 months	19,520	99,879
	<hr/>	<hr/>
Trade receivables – gross	236,554	203,700
	<hr/>	<hr/>

The Group generally allows a credit period of up to 1 year after invoice date to its customers.

11 TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	243,720	158,598
	<hr/>	<hr/>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 3 months	120,492	80,974
3 to 6 months	24,697	10,796
6 to 12 months	30,429	32,747
Over 12 months	68,102	34,081
	<hr/>	<hr/>
	243,720	158,598
	<hr/>	<hr/>

12 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following significant events after the reporting period,

- (a) On 10 January 2023, the Group has granted share options (the “**Share Options**”) to certain directors, employees and the company secretary of the Group to subscribe for a total of 75,000,000 ordinary shares with no par value of the Company (the “**Shares**”) subject to and upon the terms and conditions of the share option scheme adopted by the Company on 18 February 2013 (the “**Share Option Scheme**”). The exercise price of the Share Options is HK\$0.075 per Share. The Share Options shall have a validity period of 10 years from 10 January 2023 to 9 January 2033, subject to the vesting conditions as stated in the offer letter and the provisions for early termination contained in the Share Option Scheme. Further details of these Share Options are set out in the Company’s announcement dated 10 January 2023.
- (b) On 22 February 2023, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.*) (“**Petro-king Shenzhen**”), an indirectly wholly-owned subsidiary of the Company, entered into a new guarantee agreement with Huizhou Rural Commercial Bank (the “**HRC Bank**”) for the purpose of providing a guarantee for a new bank revolving loan facility with principal amount of RMB53,000,000 granted by the HRC Bank to Petro-king Huizhou, pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen. Further details of this guarantee are set out in the Company’s announcement dated 22 February 2023.

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 2022, 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) to the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK\$27,540,000 during the year ended 31 December 2022, and as of that date, the Group had total current bank and other borrowings of approximately HK\$95,225,000, while the Group only had cash and cash equivalents of approximately HK\$39,959,000. These conditions 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

The disposal of Petro-king Huizhou in June 2021 constituted discontinued operations in the financial statements as it represented a major line of business in the manufacturing of oilfield products. Comparative financial figures from continuing operations for the year ended 31 December 2021 was used for the purpose of analysis of the Group's revenue and financial performance for the Year.

Revenue

During the Year, the Group's revenue amounted to approximately HK\$313.8 million, which increased by approximately 91.3% as compared to that of approximately HK\$164.0 million in 2021, representing an increase of approximately HK\$149.8 million. The increase in revenue was mainly due to the increase in revenue from the provision of production enhancement services in China.

Material Costs

During the Year, the Group's material costs were approximately HK\$70.7 million, which increased by approximately HK\$59.3 million or approximately 520.2% as compared with that of approximately HK\$11.4 million in 2021. Material costs represented approximately 22.5% of the revenue in 2022, which was higher than that of approximately 7.0% in 2021. The increase in material costs as a percentage of revenue in 2022 mainly resulted from the decrease in the unit price of the fracturing services provided by the Group and the increase in diesel price in 2022.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK\$35.3 million, which decreased by approximately HK\$4.4 million or approximately 11.1% as compared with that of approximately HK\$39.7 million in 2021. Depreciation decreased as certain property, plant and equipment has been fully depreciated in 2021.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK\$124.2 million, which increased by approximately HK\$74.1 million or approximately 147.9% from approximately HK\$50.1 million in 2021. Such increase in technical service fees mainly resulted from the increase in the provision of production enhancement service in 2022.

Entertainment and Marketing Expenses

During the Year, entertainment and marketing expenses amounted to approximately HK\$7.1 million, which decreased by approximately HK\$6.2 million or approximately 46.6% from approximately HK\$13.3 million in 2021. The decrease in entertainment and marketing expenses in 2022 resulted from the decrease in marketing activities following the adoption of stringent preventive measures by the government to cope with the spread of the COVID-19 pandemic in China during 2022.

Net Reversal of Impairment/(Impairment Loss) on Financial Assets

During the Year, net reversal of impairment on financial assets amounted to approximately HK\$5.7 million, as compared to net impairment loss of approximately HK\$9.6 million in 2021. Such net reversal of impairment on financial assets was due to the overall improvement in the quality of the financial assets in 2022.

Impairment Loss on Goodwill

During the Year, the Group has not recorded any impairment loss on goodwill (2021: HK\$9.8 million) as the financial performance of the Group has improved in 2022 as a result of the increase in revenue amid the stabilisation of international oil price.

Impairment Loss on/Write-off of Property, Plant and Equipment

During the Year, the Group has not recorded any impairment loss on property, plant and equipment (2021: HK\$15.3 million) as the financial performance of the Group has improved in 2022 as a result of the increase in revenue amid the stabilisation of international oil price.

Other Gains and Losses, Net

During the Year, the Group recorded net other gains of approximately HK\$2.5 million, as compared to net other gains of approximately HK\$10.8 million for the year ended 31 December 2021. This mainly resulted from the decrease in government grant received in 2022.

Operating Loss

As a result of the foregoing, the Group's operating loss in 2022 amounted to approximately HK\$24.3 million, which decreased by approximately HK\$56.2 million or approximately 69.8% as compared with that of approximately HK\$80.5 million in 2021.

Finance Costs, Net

During the Year, the Group's net finance costs amounted to approximately HK\$6.0 million, which decreased by approximately HK\$12.3 million or approximately 67.2% as compared with that of approximately HK\$18.3 million in 2021. Such decrease in net finance costs mainly resulted from the repayment of certain borrowings by the Group in 2022. In addition, the Group has recorded interest income of approximately HK\$3.8 million (2021: HK\$1.8 million) from Petro-king Huizhou and its subsidiaries (the "**Petro-king Huizhou Group**") during 2022.

Share of Net Profits of Associates

During the Year, the Group recorded share of net profits of associates of approximately HK\$3.6 million (2021: HK\$4.4 million). The balance mainly represented the Group's share of net profit of the Petro-king Huizhou Group during the Year.

Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK\$27.5 million, which decreased by approximately HK\$67.1 million or approximately 70.9% as compared with that of approximately HK\$94.6 million in 2021.

Loss for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group's loss for the year attributable to owners of the Company in 2022 was approximately HK\$28.6 million, which decreased by approximately HK\$65.9 million or approximately 69.7% as compared with that of approximately HK\$94.5 million in 2021.

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 2022, the Group's property, plant and equipment amounted to approximately HK\$163.7 million, which increased by approximately HK\$6.1 million or approximately 3.9% from approximately HK\$157.6 million as at 31 December 2021. The increase mainly due to the purchase of 8 new mechanical fracturing trucks during the Year, partly offset by the disposal of 4 hydraulic fracturing trucks and the depreciation expense charged during the Year.

Other Receivables and Deposits

As at 31 December 2022, the sum of current and non-current other receivables and deposits amounted to approximately HK\$97.1 million, representing a decrease of approximately HK\$20.7 million or approximately 17.6% as compared with that of approximately HK\$117.8 million as at 31 December 2021. The decrease in other receivables and deposits mainly resulted from the receipt of VAT refunds, the repayment of performance bonds from a customer, and the repayment of certain amount due from the Petro-king Huizhou Group in 2022.

Inventories

As at 31 December 2022, the Group's inventories amounted to approximately HK\$12.9 million, representing a decrease of approximately HK\$11.4 million or approximately 46.9% as compared with that of approximately HK\$24.3 million as at 31 December 2021. The decrease was mainly due to quicker consumption of inventories by the Group in 2022. The average turnover days of inventories decreased from approximately 667 days in 2021 to approximately 96 days in 2022. The decrease in inventory turnover days was mainly due to quicker consumption of inventories by the Group in 2022.

Trade Receivables

As at 31 December 2022, the Group's trade receivables amounted to approximately HK\$220.7 million, representing an increase of approximately HK\$35.7 million or approximately 19.3% as compared with that of approximately HK\$185.0 million as at 31 December 2021. The average turnover days of trade receivables was approximately 236 days in 2022, representing a decrease of approximately 215 days as compared with that of approximately 451 days in 2021. Trade receivables turnover days decreased due to the increase in revenue in 2022 and quicker collection of receivables from the Group's customers.

Contract Assets

The contract assets are primarily related to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 31 December 2022, the Group's contract assets amounted to approximately HK\$107.7 million, representing an increase of approximately HK\$84.0 million or approximately 354.4% as compared with that of approximately HK\$23.7 million as at 31 December 2021. The increase was mainly due to the increase in unbilled works related to the provision of production enhancement services to certain customers in 2022.

Trade Payables

As at 31 December 2022, the Group's trade payables were approximately HK\$243.7 million, which increased by approximately HK\$85.1 million or approximately 53.7% as compared with that of approximately HK\$158.6 million as at 31 December 2021. The average turnover days of trade payables decreased from approximately 954 days in 2021 to approximately 377 days in 2022, representing a decrease of approximately 577 days. The decrease in turnover days of trade payables mainly resulted from the increase in material costs and technical service fees in 2022.

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 to reduce the cost of capital, while maximising the return to shareholders through improving the debt and equity balance.

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately HK\$40.0 million, representing an increase of approximately HK\$13.5 million as compared with that of approximately HK\$26.5 million as at 31 December 2021. The cash and cash equivalents were mainly held in RMB and US\$.

As at 31 December 2022, the Group's bank and other borrowings amounted to approximately HK\$227.4 million (31 December 2021: HK\$185.3 million), of which approximately 41.9% (31 December 2021: 62.1%) was repayable within one year. As at 31 December 2022, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2021: 100%) of such borrowings bore interests at fixed lending rates.

As at 31 December 2022, certain machineries of the Group with carrying values of approximately HK\$84.7 million (31 December 2021: HK\$7.2 million) were pledged to secure certain instalment loans granted to the Group. In addition, certain trade receivables of approximately HK\$149,958,000 (2021: HK\$103,780,000) was pledged to secure certain bank borrowings of the Group as at 31 December 2022.

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 42.2% (2021: 35.5%). 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 2022, the Group did not have any capital commitment (2021: Nil).

Off-balance Sheet Arrangements

As at 31 December 2022, the Group did not have any off-balance sheet arrangements (2021: Nil).

Significant Events after the End of the Year

Other than those disclosed in Note 12 to the consolidated financial information in this announcement, no other significant event has occurred after the end of the Year and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 May 2023 to 2 June 2023, 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 29 May 2023.

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 set out in Appendix 14 to the Listing Rules. During the Year, the Company has complied with the Code Provisions in all applicable aspects.

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 to 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 Year.

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.

SCOPE OF WORK OF BDO LIMITED

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 2022 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited 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 this 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. Zhang Dawei. 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, 27 March 2023

As at the date of this announcement, the executive Directors are Mr. Zhao Jindong and Mr. Lin Jingyu, the non-executive Directors are Mr. Wang Jinlong and Mr. Wong Shiu Kee; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Xin Junhe and Mr. Zhang Dawei.