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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 2021

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 2021 (the “**Year**” or “**2021**”).

OVERVIEW

The Group’s revenue and loss for the Year (including continuing and discontinued operation) were approximately HK\$233.8 million (2020: HK\$389.9 million) and HK\$76.7 million (2020: HK\$78.7 million), respectively. Basic loss per share attributable to owners of the Company for the Year was HK4.7 cents (2020: HK4.2 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2020: 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.

During the Year, the Group's revenue decreased by approximately 40.0% from approximately HK\$389.9 million in 2020 to approximately HK\$233.8 million in 2021. The outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic and the volatile international oil price in 2020 has resulted in a severe delay in the progress of a shale gas field project in the southwestern region of the People's Republic of China (the “**PRC**” or “**China**”) as the customer has slowed down the development of this project in 2021. As a result, the revenue derived from the provision of production enhancement services significantly decreased by approximately 57.8% in 2021. The revenue from the provision of drilling services decreased by approximately 16.0% as the Group has ceased to provide drilling services to a private enterprise in northwestern China during the Year. The revenue from the sales of well completion tools is relatively stable in 2021 as the decrease in the sales of well completion tools in the domestic market was compensated by the increase in the sales of well completion tools in the overseas market. On the other hand, the revenue from the Group's consultancy services has decreased by approximately 35.7% in 2021 as the Group has ceased to provide integrated project management services to certain customers in both the China market and the overseas market during 2021. Loss for the Year has decreased by approximately 2.5% to approximately HK\$76.7 million (2020: HK\$78.7 million).

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

Given that Mr. Wang is the chairman of the Company and a 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 Star Petrotech Disposal, the Capital Increases and the PK Huizhou Connected Disposal were completed on 10 February 2021, 29 March 2021 and 23 June 2021, respectively. After the completion of the PK Huizhou Transactions, Star Petrotech has become a wholly-owned subsidiary of PK Huizhou, and the Group's equity interest in PK Huizhou was reduced to approximately 38.60%. PK Huizhou and its subsidiaries, including Star Petrotech, ceased to be subsidiaries of the Company, and PK Huizhou is accounted for as interest in an associate. The Group has recorded pre-tax gain on disposal of approximately HK\$23.5 million in relation to the PK Huizhou Transactions.

The disposal of Petro-king Huizhou constituted discontinued operation in the financial statements as it represented the cessation of a major line of business in the manufacturing of oilfield products. Financial figures from both continuing and discontinued operations were used for the purpose of analysis of the Group's revenue and financial performance for the Year.

GEOGRAPHICAL MARKET ANALYSIS

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

	2021 (HK\$ million)	2020 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2021 (%)	Approximate percentage of total revenue in 2020 (%)
China market	186.1	332.8	-44.1%	79.6%	85.4%
Overseas market	47.7	57.1	-16.5%	20.4%	14.6%
Total	<u>233.8</u>	<u>389.9</u>	<u>-40.0%</u>	<u>100%</u>	<u>100%</u>

The Group's revenue from the China market decreased by approximately HK\$146.7 million or approximately 44.1% to approximately HK\$186.1 million in 2021 from approximately HK\$332.8 million in 2020. The decrease in revenue from the China market was mainly due to the decrease in the provision of production enhancement services to customers.

The Group's revenue from the overseas market decreased by approximately HK\$9.4 million or approximately 16.5% to approximately HK\$47.7 million in 2021 from approximately HK\$57.1 million in 2020. The decrease in revenue from the overseas market was mainly due to the decrease in the provision of production enhancement services to the Middle East and other overseas regions and the decrease in integrated project management services provided in the Middle East.

REVENUE FROM THE CHINA MARKET

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

	2021 (HK\$ million)	2020 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 2021 (%)	Approximate percentage of total revenue from the China market in 2020 (%)
Northern China	73.8	76.8	-3.9%	39.7%	23.1%
Southwestern China	27.4	161.9	-83.1%	14.7%	48.7%
Northwestern China	24.9	28.1	-11.4%	13.4%	8.4%
Other regions in China	60.0	66.0	-9.1%	32.2%	19.8%
Total	<u>186.1</u>	<u>332.8</u>	<u>-44.1%</u>	<u>100%</u>	<u>100%</u>

In 2021, the Group's revenue from Northern China amounted to approximately HK\$73.8 million; which has decreased by approximately HK\$3.0 million or approximately 3.9% from approximately HK\$76.8 million in 2020. The decrease was mainly due to the decrease in the sales of production enhancement tools in this region.

The revenue from Southwestern China amounted to approximately HK\$27.4 million in 2021, which has decreased by approximately HK\$134.5 million or approximately 83.1% from approximately HK\$161.9 million in 2020. The decrease was mainly due to the decrease in production enhancement services provided in this region.

The revenue from Northwestern China amounted to approximately HK\$24.9 million; which has decreased by approximately HK\$3.2 million or approximately 11.4% from approximately HK\$28.1 million in 2020. The decrease was mainly due to the decrease in the drilling services provided in this region.

The revenue from other regions in China amounted to approximately HK\$60.0 million in 2021, which has decreased by approximately HK\$6.0 million or approximately 9.1% from approximately HK\$66.0 million in 2020. The decrease was mainly due to the decrease in integrated project management services provided in other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2021 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue from the overseas market in 2021 <i>(%)</i>	Approximate percentage of total revenue from the overseas market in 2020 <i>(%)</i>
The Middle East	34.3	36.2	-5.2%	71.9%	63.4%
Others	13.4	20.9	-35.9%	28.1%	36.6%
Total	<u>47.7</u>	<u>57.1</u>	<u>-16.5%</u>	<u>100%</u>	<u>100%</u>

The revenue from the Middle East amounted to approximately HK\$34.3 million in 2021, which has decreased by approximately HK\$1.9 million or approximately 5.2% from approximately HK\$36.2 million in 2020. The decrease was mainly due to the decrease in production enhancement services provided to a customer in the Middle East.

The revenue from other overseas regions amounted to approximately HK\$13.4 million in 2021, which has decreased by approximately HK\$7.5 million or approximately 35.9% from approximately HK\$20.9 million in 2020. 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 a breakdown of revenue by operating segments:

	2021 (HK\$ million)	2020 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2021 (%)	Approximate percentage of total revenue in 2020 (%)
Oilfield project tools and services	199.0	339.5	-41.4%	85.1%	87.1%
Consultancy services	28.1	43.7	-35.7%	12.0%	11.2%
Others (<i>Note</i>)	6.7	6.7	0%	2.9%	1.7%
	<u>233.8</u>	<u>389.9</u>	<u>-40.0%</u>	<u>100%</u>	<u>100%</u>
Total	<u>233.8</u>	<u>389.9</u>	<u>-40.0%</u>	<u>100%</u>	<u>100%</u>

Note: This represents the other revenue streams of the Group including the 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 2021, the Group's revenue from oilfield project tools and services amounted to approximately HK\$199.0 million, which has decreased by approximately HK\$140.5 million or approximately 41.4% from approximately HK\$339.5 million in 2020. The decrease was mainly due to the decrease in the provision of production enhancement services in the China market.

The Group's revenue from consultancy services amounted to approximately HK\$28.1 million in 2021, which has decreased by approximately HK\$15.6 million or approximately 35.7%, from approximately HK\$43.7 million in 2020. The decrease was mainly due to the decrease in the provision of integrated project management services and consultancy services 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:

	2021 (HK\$ million)	2020 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 2021 (%)	Approximate percentage of total revenue from oilfield project tools and services in 2020 (%)
Drilling	28.8	34.3	-16.0%	14.5%	10.1%
Well completion	70.6	69.3	1.9%	35.5%	20.4%
Production enhancement	99.6	235.9	-57.8%	50.0%	69.5%
Total	<u>199.0</u>	<u>339.5</u>	<u>-41.4%</u>	<u>100%</u>	<u>100%</u>

Drilling

The Group's revenue from drilling amounted to approximately HK\$28.8 million in 2021, which has decreased by approximately HK\$5.5 million or approximately 16.0% from approximately HK\$34.3 million in 2020. The decrease was mainly due to the decrease in the provision of drilling services in Northwestern China.

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

Well Completion

In 2021, the Group's revenue from well completion amounted to approximately HK\$70.6 million, which has increased by approximately HK\$1.3 million or approximately 1.9% from approximately HK\$69.3 million in 2020. The revenue from the sales of well completion tools is relatively stable in 2021 as the decrease in the sales of well completion tools in the China market was compensated by the increase in the sales of well completion tools in the overseas market.

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

Production Enhancement

In 2021, the Group's revenue from production enhancement services amounted to approximately HK\$99.6 million, which has decreased by approximately HK\$136.3 million or approximately 57.8% from approximately HK\$235.9 million in 2020. The decrease was mainly due to the decrease in the provision of fracturing services in Southwestern China.

CUSTOMER ANALYSIS

Customer	2021	2020	Approximate percentage change	Approximate percentage of total revenue in 2021	Approximate percentage of total revenue in 2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Customer 1	83.9	209.3	-59.9%	35.9%	53.7%
Customer 2	44.0	55.5	-20.7%	18.8%	14.2%
Customer 3	24.6	27.2	-9.6%	10.5%	7.0%
Customer 4	15.3	5.1	200.0%	6.5%	1.3%
Customer 5	8.6	10.8	-20.4%	3.7%	2.8%
Customer 6	7.2	1.2	500.0%	3.1%	0.3%
Customer 7	6.7	3.7	81.1%	2.9%	0.9%
Customer 8	5.4	–	N/A	2.3%	0%
Other customers	38.1	77.1	-50.6%	16.3%	19.8%
Total	233.8	389.9	-40.0%	100%	100%

The revenue from customer 1 amounted to approximately HK\$83.9 million in 2021, which has decreased by approximately HK\$125.4 million or approximately 59.9% from approximately HK\$209.3 million in 2020. The decrease was mainly due to the decrease in production enhancement services provided to this customer in Southwestern China. The revenue from customer 2 amounted to approximately HK\$44.0 million in 2021, which has decreased by approximately HK\$11.5 million or approximately 20.7% from approximately HK\$55.5 million in 2020. This decrease was mainly due to the decrease in the provision of production enhancement services and the decrease in the sales of well completion tools in 2021. The revenue from customer 3 amounted to approximately HK\$24.6 million in 2021, which has decreased by approximately HK\$2.6 million or approximately 9.6% from approximately HK\$27.2 million in 2020. 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\$15.3 million in 2021, which has increased by approximately HK\$10.2 million or approximately 200.0% from approximately HK\$5.1 million in 2020. 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\$8.6 million in 2021, which has decreased by approximately HK\$2.2 million or approximately 20.4% from approximately HK\$10.8 million in 2020. Such decrease was due to the decreased sales of well completion tools to this customer in other overseas market. The revenue from customer 6 amounted to approximately HK\$7.2 million in 2021, which has increased by approximately HK\$6.0 million or approximately 500.0% from approximately HK\$1.2 million in 2020. Such increase resulted from the increased sales of well completion tools in other regions in China. The revenue from customer 7 amounted to approximately HK\$6.7 million in 2021, which has increased by approximately HK\$3.0 million or approximately 81.1% from approximately HK\$3.7 million in 2020. This increase was mainly attributable to the increase in the sales of well completion tools in other regions in China. The revenue from customer 8 amounted to approximately HK\$5.4 million in 2021 (2020: Nil), which was derived from the provision of production enhancement services in other regions in China. The revenue from other customers amounted to approximately HK\$38.1 million in 2021, which has dropped by approximately HK\$39.0 million or approximately 50.6% from approximately HK\$77.1 million in 2020. Such decrease in revenue was mainly resulted from the decreases in the provision of drilling services, sales of production enhancement tools and provision of consultancy services 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 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 92 trainings consisting of more than 7,273 hours in total and 163 employees attended these training programs in 2021.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 213 employees as at 31 December 2021, which has decreased by approximately 46.1% as compared with that of 395 employees as at 31 December 2020. The decrease in number of employees was mainly due to the disposal of PK Huizhou and its subsidiaries during the Year.

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 2021, the Group had 10 utility model patents and 5 innovation patents and was applying for 9 innovation patents.

In 2021, 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, Brent crude oil price has continued to rebound from approximately US\$52/barrel in January 2021 to approximately US\$78/barrel in December 2021. As the majority of the global population has been vaccinated, more and more overseas countries have relaxed the travelling restrictions and rebooted their economies which will boost the global demand for energy. With the continual rebound and stabilisation of international oil price, there will be improved market demands for production enhancement services and other oilfield services offered by the Group.

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.

Looking ahead to 2022, 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	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Continuing operations:			
Revenue	4	163,967	307,993
Other income		–	–
Operating costs			
Material costs		(11,447)	(34,766)
Depreciation of property, plant and equipment		(39,705)	(44,346)
Depreciation of right-of-use assets		(2,010)	(5,759)
Expenses related to short-term leases		(3,590)	(4,047)
Employee benefit expenses		(54,814)	(56,261)
Distribution expenses		(5,283)	(4,613)
Technical service fees		(50,100)	(102,626)
Research and development expenses		(17,696)	(14,979)
Entertainment and marketing expenses		(13,343)	(6,498)
Other expenses		(19,611)	(15,539)
Net impairment loss on financial assets		(9,599)	(12,260)
Net reversal of impairment/(impairment loss) on contract assets		234	(688)
Impairment loss on property, plant and equipment		(15,318)	–
Impairment loss on goodwill		(9,800)	–
Write-down of inventories to net realisable value		(2,047)	(3,383)
Write-off of inventories		(1,135)	(1,212)
Write-off of property, plant and equipment		–	(1,199)
Other gains/(losses), net	5	10,774	2,051
Operating (loss)/profit		(80,523)	1,868
Finance income	6	2,148	44
Finance costs	6	(20,497)	(22,799)
Finance costs, net		(18,349)	(22,755)
Share of results of associates		4,396	–
Loss before income tax expense		(94,476)	(20,887)
Income tax expense	7	(153)	(91)
Loss for the year from continuing operations		(94,629)	(20,978)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	12	17,897	(57,751)
Loss for the year		(76,732)	(78,729)

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (re-presented)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		20,020	21,132
Release of translation reserve upon disposal of subsidiaries		1,171	–
		<hr/> 21,191	<hr/> 21,132
Other comprehensive income for the year, net of tax		<hr/> 21,191	<hr/> 21,132
Total comprehensive income for the year		<hr/> (55,541)	<hr/> (57,597)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(94,461)	(20,978)
– Discontinued operations		12,676	(52,047)
		<hr/> (81,785)	<hr/> (73,025)
Loss for the year attributable to owners of the Company		<hr/> (81,785)	<hr/> (73,025)
Non-controlling interests			
– Continuing operations		(168)	–
– Discontinued operations		5,221	(5,704)
		<hr/> 5,053	<hr/> (5,704)
Profit/(loss) for the year attributable to non-controlling interests		<hr/> 5,053	<hr/> (5,704)
		<hr/> (76,732)	<hr/> (78,729)
Total comprehensive income for the year attributable to:			
Owners of the Company		(64,324)	(52,274)
Non-controlling interests		8,783	(5,323)
		<hr/> (55,541)	<hr/> (57,597)
(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	(5.4)	(1.2)
Discontinued operations	8	0.7	(3.0)
		<hr/> (4.7)	<hr/> (4.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		157,586	332,379
Intangible assets		85,656	95,714
Right-of-use assets		1,683	33,518
Financial asset at fair value through profit or loss		8,587	8,360
Interests in associates		67,250	1,388
Other receivables and deposits		303	22,294
		321,065	493,653
Current assets			
Inventories		24,348	58,911
Trade receivables	<i>10</i>	184,990	240,844
Contract assets		23,727	118,468
Other receivables and deposits		117,521	58,408
Prepayments		17,393	15,596
Pledged bank deposits		969	3,256
Cash and cash equivalents		26,477	29,553
		395,425	525,036
Current liabilities			
Trade payables	<i>11</i>	158,598	172,856
Other payables and accruals		79,123	131,095
Contract liabilities		940	8,694
Lease liabilities		1,616	10,152
Bank and other borrowings		115,060	235,731
		355,337	558,528
Net current assets/(liabilities)		40,088	(33,492)
Total assets less current liabilities		361,153	460,161

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	70,200	91,496
Lease liabilities	274	14,003
Deferred tax liabilities	–	246
	<u>70,474</u>	<u>105,745</u>
Net assets	<u>290,679</u>	<u>354,416</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	2,001,073	2,001,073
Other reserves	74,217	38,319
Accumulated losses	(1,789,278)	(1,707,493)
	<u>286,012</u>	<u>331,899</u>
Equity attributable to the owners of the Company	286,012	331,899
Non-controlling interests	4,667	22,517
	<u>290,679</u>	<u>354,416</u>
Total equity	<u>290,679</u>	<u>354,416</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.

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 of oilfield related products. During the year, the Group had discontinued its manufacturing business in relation to oilfield related products.

The Company has its primary listing on the Stock Exchange 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 2021

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

Amendments to IFRS 9, HKAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19 Related Concessions beyond 30 June 2021

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 beyond 30 June 2021. The adoption of this amendment does not have a material impact to the Group’s results and financial position.

(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 3	Reference to the Conceptual Framework ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
IFRS 17	Insurance Contracts and the related Amendments ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvements to IFRS 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ 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.

(ii) Going concern assumption

The Group reported a loss from continuing operations of approximately HK\$94,629,000 for the year ended 31 December 2021 and as of that date, the Group had total current bank and other borrowings of approximately HK\$115,060,000, out of which HK\$12,000,000 were overdue and in default and the lender is entitled to demand immediate repayment from the Group ("**Overdue Borrowing**"). However, the Group only had cash and cash equivalents of approximately HK\$26,477,000 as at 31 December 2021.

These 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 ("**Forecast**") covering a period of fifteen months. In preparing the Forecast, the directors of the Company 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) Up to the date of approval for issue of these consolidated financial statements, the Group had unutilised facilities available for drawdown totalling RMB77,545,000, comprising approximately RMB29,545,000 from bank, approximately RMB29,000,000 from a shareholder, and approximately RMB19,000,000 and approximately HK\$5,000,000 from certain independent lenders;
- (b) On 11 March 2022, the Group has successfully entered into a supplemental agreement with the bondholders of 2020 Bonds with a carrying amount of approximately HK\$3,600,000 as at 31 December 2021. Pursuant to the supplemental agreement, the maturity date of the bonds has been extended to 30 June 2023.
- (c) On 18 March 2022, the Group has fully repaid HK\$12,000,000 in relation to the Overdue Borrowings.
- (d) In March 2022, the Group entered into various loan agreements with certain employees, pursuant to which the employees have granted loan facilities with an aggregate amount of RMB6,100,000 to the Group for a term ranging from twelve to fifteen months from the date of drawdown. Such facility is unsecured and bears interest at 15% per annum. As at the date of approval for issue of these consolidated financial statements, the Group has fully drawn down RMB6,100,000.

- (e) Repayment from PK Huizhou and its subsidiaries of loan facilities with outstanding principal amount of approximately US\$3,217,000 and RMB22,200,000 as at 31 December 2021 respectively, which shall be repaid on or before 31 December 2022 pursuant to the term of relevant loan facilities.

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:

- (a) successfully maintaining the current 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;
- (b) successful draw down the unutilised facilities of the shareholder's loan and of the loans from certain independent lenders as and when needed; and
- (c) repayment from PK Huizhou.

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

The segment of oilfield project tools and services comprised of drilling, well completion and production enhancement as well as trading of oilfield related products ("**Oilfield Services Business**") as well as manufacturing business in relation to oilfield related products ("**Manufacturing Business**"). During the year, the Group had discontinued its Manufacturing Business upon the disposal of PK 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, the Group had discontinued its business under the segment of "Others" upon the disposal of PK Huizhou.

(a) Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Continuing operations:		
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services – Oilfield Services Business		
– Drilling work	28,512	34,302
– Well completion work	10,730	7,294
– Production enhancement work	96,270	222,737
	<u>135,512</u>	<u>264,333</u>
Consultancy services		
– Integrated project management services	2,199	15,249
– Supervisory services	25,927	28,411
	<u>28,126</u>	<u>43,660</u>
	<u>163,638</u>	<u>307,993</u>
Revenue from other sources:		
Lease rental services	329	–
	<u>163,967</u>	<u>307,993</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	62,059
– Production enhancement work	3,312	13,161
	<u>63,152</u>	<u>75,220</u>
Others	6,676	6,721
	<u>69,828</u>	<u>81,941</u>
Total revenue	<u>233,795</u>	<u>389,934</u>
Timing of revenue recognition within the scope of IFRS 15		
– At a point in time	77,246	130,277
– Over time	156,220	259,657
	<u>233,466</u>	<u>389,934</u>
Revenue from other sources	329	–
	<u>233,795</u>	<u>389,934</u>

(b) **Segment results**

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

	<u>Continuing Operations</u>		<u>Discontinued Operations</u>		
	Oilfield project tools and services – Oilfield Services Business HK\$'000	Consultancy services HK\$'000	Oilfield project tools and services – Manufacturing Business HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2021					
Revenue from external customers	135,841	28,126	63,152	6,676	233,795
Inter-segment revenue	–	–	9,649	–	9,649
Reconciliation	135,841	28,126	72,801	6,676	243,444
Elimination of inter-segment revenue	–	–	(9,649)	–	(9,649)
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 segment results for the year ended 31 December 2020 are as follows:

	Continuing Operations		Discontinued Operations		Total HK\$'000 (re-presented)
	Oilfield project tools and services – Oilfield Services Business HK\$'000	Consultancy services HK\$'000	Oilfield project tools and services – Manufacturing Business HK\$'000	Others HK\$'000	
Year ended 31 December 2020					
Revenue from external customers	264,333	43,660	75,220	6,721	389,934
Inter-segment revenue	–	–	23,128	–	23,128
Reconciliation	264,333	43,660	98,348	6,721	413,062
Elimination of inter-segment revenue	–	–	(23,128)	–	(23,128)
Total segment revenue	264,333	43,660	75,220	6,721	389,934
Segment results	<u>(8,473)</u>	<u>21,586</u>	<u>(58,053)</u>	<u>305</u>	<u>(44,635)</u>
Net unallocated expenses					<u>(34,000)</u>
Loss before income tax expense					<u>(78,635)</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 is provided as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment results	(66,510)	(44,635)
Segment (profit)/loss from discontinued operations	(20,924)	57,748
Depreciation of property, plant and equipment	(173)	(5,368)
Depreciation of right-of-use assets	(1,938)	(5,759)
Other gains/(losses), net	10,774	2,051
Finance costs	(11,733)	(17,113)
Share of results of associates	4,396	–
Other unallocated corporate expenses	(8,368)	(7,811)
	<u>(94,476)</u>	<u>(20,887)</u>
Loss before income tax expenses	<u>(94,476)</u>	<u>(20,887)</u>

5 OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Continuing operations:		
Loss on disposals of property, plant and equipment	(372)	(1,943)
COVID-19 related rent concessions	–	165
Fair value gain on financial assets at FVTPL	157	920
Gain on early redemption of 2019 convertible bonds	–	2,478
Government grant	12,699	1,686
Foreign exchange loss, net	(1,872)	(533)
Loss on deregistration of subsidiaries	–	(1,105)
Others	162	383
	<u>10,774</u>	<u>2,051</u>
Discontinued operations:		
Gain on disposals of property, plant and equipment	–	50
Loss on lease modification	–	(111)
COVID-19 related rent concessions	–	96
Government grant	398	–
Foreign exchange gains, net	888	669
Gain on bargain purchase	–	142
Others	(4,333)	(52)
	<u>(3,047)</u>	<u>794</u>
	<u>7,727</u>	<u>2,845</u>

6 FINANCE INCOME AND COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Continuing operations:		
Interest expenses:		
– Bank and other borrowings	(16,655)	(16,418)
– 2020 Bonds	(3,693)	(3,997)
– 2019 Convertible Bonds	–	(2,162)
– Lease liabilities	(149)	(222)
	<u>(20,497)</u>	<u>(22,799)</u>
Discontinued operations:		
Interest expenses:		
– Bank and other borrowings	(2,038)	(2,580)
– Lease liabilities	(472)	(988)
	<u>(2,510)</u>	<u>(3,568)</u>
Finance costs	<u>(23,007)</u>	<u>(26,367)</u>
Continuing operations:		
– Interest income from bank deposits	415	44
– Interest income from related parties	1,733	–
	<u>2,148</u>	<u>44</u>
Discontinued operations:		
– Interest income from bank deposits	16	12
Finance income	<u>2,164</u>	<u>56</u>
Finance costs, net	<u>(20,843)</u>	<u>(26,311)</u>

7 INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Continuing operations:		
Current tax		
– Under provision in prior years	–	86
Deferred tax	<u>153</u>	<u>5</u>
	<u>153</u>	<u>91</u>
Discontinued operations:		
Current tax		
– PRC corporate income tax	3,027	–
Deferred tax	<u>–</u>	<u>3</u>
	<u>3,027</u>	<u>3</u>
Income tax expense	<u>3,180</u>	<u>94</u>

8 (LOSS)/EARNINGS PER SHARE

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

	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	<u>1,726,674</u>	<u>1,726,674</u>

(a) From continuing and discontinued operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(81,785)</u>	<u>(73,025)</u>

(b) From continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Loss for the year attributable to owners of the Company	(81,785)	(73,025)
Less: profit/(loss) for the year from discontinued operations	12,676	(52,047)
	<hr/>	<hr/>
Loss for the purpose of calculating basic loss per share from continuing operations	(94,461)	(20,978)
	<hr/>	<hr/>

(c) From discontinued operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Profit/(loss) for the year for the purpose of calculating basic earnings/(loss) per share from discontinued operations	12,676	(52,047)
	<hr/>	<hr/>

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

Diluted (loss)/earnings per share for the year ended 31 December 2021 was the same as basic (loss)/earnings per share since all potential ordinary shares are anti-dilutive (2020: Same) as both the conversion of potential ordinary shares in relation to the share options and warrants (2020: share options, warrants and the conversion of convertible bonds) have an anti-dilutive effect to the basic loss per share.

9 DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

10 TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	203,700	250,080
Less: provision for impairment of trade receivables	(18,710)	(9,236)
	<hr/>	<hr/>
Trade receivables – net	184,990	240,844
	<hr/>	<hr/>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 3 months	68,883	140,170
3 to 6 months	16,176	29,683
6 to 12 months	18,762	69,653
Over 12 months	99,879	10,574
	<hr/>	<hr/>
Trade receivables	203,700	250,080
Less: provision for impairment of trade receivables	(18,710)	(9,236)
	<hr/>	<hr/>
Trade receivables – net	184,990	240,844
	<hr/>	<hr/>

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 up to 1 year after invoice date to its customers.

11 TRADE PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	158,598	172,856
	<hr/>	<hr/>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 3 months	80,974	78,810
3 to 6 months	10,796	48,646
6 to 12 months	32,747	8,373
Over 12 months	34,081	37,027
	<hr/>	<hr/>
	158,598	172,856
	<hr/>	<hr/>

12 DISPOSAL OF SUBSIDIARIES

(a)(i) Disposal of PK Huizhou

On 23 June 2021, the Group completed the disposal of 14.62% equity interest in PK Huizhou to Mr. Wang Jinlong, the chairman of the Company and an executive Director and his associates at a cash consideration of RMB25,000,000 (equivalent to approximately HK\$30,045,000). Upon completion of the disposal, PK Huizhou became an associate with 38.60% effective equity interest held by the Group. The net assets of PK Huizhou at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	120,296
Intangible assets	1,699
Right-of-use assets	26,411
Investment in an associate	1,381
Inventories	46,364
Trade receivables	50,493
Other receivables, deposits and prepayments	16,034
Cash and cash equivalents	4,991
Trade payables	(21,798)
Other payables and accruals	(71,033)
Contract liabilities	(1,400)
Lease liabilities	(16,477)
Bank and other borrowings	(37,435)
Deferred tax liabilities	(403)
	<hr/>
Net assets disposal of	119,123
Release of non-controlling interests	(52,567)
Release of translation reserve	1,171
	<hr/>
	67,727
Fair value of retained interests which became investment in associates	(61,179)
Gain on disposal of subsidiaries	23,497
	<hr/>
Cash consideration	30,045
	<hr/>
Net cash inflows from disposal:	
Cash consideration	30,045
Cash and cash equivalents disposed	(4,991)
	<hr/>
	25,054
	<hr/>

(a)(ii) **Discontinued Operations**

The revenue and results of PK Huizhou were as follows:

		1 January to 23 June 2021	1 January to 31 December 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	69,828	81,941
Other income		1,115	625
Operating costs			
Material costs		(37,109)	(71,114)
Depreciation of property, plant and equipment		(4,560)	(9,108)
Depreciation of right-of-use assets		(4,632)	(3,070)
Amortisation of intangible assets		(74)	(92)
Expenses related to short-term leases		(1,664)	(940)
Employee benefit expenses		(7,271)	(15,689)
Distribution expenses		(43)	(330)
Technical service fees		–	(1)
Research and development expenses		(6,120)	(11,590)
Entertainment and marketing expenses		(988)	(4,833)
Other expenses		(5,514)	(15,012)
Net impairment loss on financial assets		–	(211)
Write-off of property, plant and equipment		–	(6,416)
Other gains/(losses), net	5	(3,047)	794
Operating loss		(79)	(55,046)
Finance income	6	16	12
Finance costs	6	(2,510)	(3,568)
Finance costs, net		(2,494)	(3,556)
Share of results of an associate		–	854
Loss before income tax expense		(2,573)	(57,748)
Income tax expense	7	(6)	(3)
Loss after tax from discontinued operations		(2,579)	(57,751)
Gain on disposal of subsidiaries		23,497	–
Tax expense relating to gain on disposal	7	(3,021)	–
Profit/(loss) for the year from discontinued operations		17,897	(57,751)

A profit of approximately HK\$23,497,000 arose on the disposal of PK Huizhou, being the proceeds of disposal plus fair value of the retained interest in the former subsidiary, less the carrying amount of the subsidiary's net assets attributable to the Group and translation reserve.

The disposal of PK Huizhou constitute discontinued operation as it represent a major line of business. For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

13 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

- (a) On 24 February 2022, certain PRC subsidiaries of the Group (the “**PRC Subsidiaries**”) entered into a framework sale and purchase agreement (the “**Framework Sale and Purchase Agreement**”) with PK Huizhou and its subsidiary (the “**PK Huizhou Group**”), whereby the PRC Subsidiaries agreed to purchase from the PK Huizhou Group, and the PK Huizhou Group agreed to sell to the PRC Subsidiaries, well completion products, production enhancement products and drilling products, for a term of three years from 24 February 2022 to 31 December 2024. The annual caps for the transactions contemplated under the Framework Sale and Purchase Agreement shall not be more than HK\$9,900,000 for each of the three financial years ending 31 December 2022, 2023 and 2024. Further details of the Framework Sale and Purchase Agreement were set out in the Company's announcement dated 24 February 2022.
- (b) On 11 March 2022, the Group has successfully entered into a supplemental agreement with the bondholders of 2020 Bonds with nominal amount of HK\$3,750,000 as at 31 December 2021. Pursuant to the supplemental agreement, the maturity date of the bonds has been extended to 30 June 2023.
- (c) On 18 March 2022, the Group has fully repaid HK\$12,000,000 in relation to the Overdue Borrowings as mentioned in note 3(b)(ii).
- (d) In March 2022, the Group entered into various loan agreements with certain employees, pursuant to which the employees have granted loan facilities with an aggregate amount of RMB6,100,000 to the Group for a term ranged from twelve to fifteen months from the date of drawdown. Such facility is unsecured and bears interest at 15% per annum. As at the date of this announcement, the Group has fully drawn down RMB6,100,000.
- (e) On 28 March 2022, the Group has entered into a loan facility agreement with an independent lender, pursuant to which this lender has granted a loan facility with an amount of HK\$5,000,000 to the Group. The Group can draw down the loan on or before 30 June 2024 and any outstanding loan amounts will be repayable on or before 31 December 2024. This loan facility is being guaranteed by a director of the Company and bear interest at 12% per annum. Such loan facility has not yet been drawn down as at the date of this announcement.

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 2021, 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 loss from continuing operations of approximately HK\$94,629,000 during the year ended 31 December 2021, and as of that date, the Group had total current bank and other borrowings of approximately HK\$115,060,000, out of which HK\$12,000,000 were overdue and in default and the lender is entitled to demand immediate repayment from the Group. However, the Group only had cash and cash equivalents of approximately HK\$26,477,000 as at 31 December 2021. 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

The disposal of Petro-king Huizhou constituted discontinued operation in the financial statements as it represented a major line of business in the manufacturing of oilfield products. Financial figures from both continuing and discontinued operation 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\$233.8 million, which has decreased by approximately 40.0% as compared to that of approximately HK\$389.9 million in 2020, representing a decrease of approximately HK\$156.1 million. The decrease in revenue was mainly due to the decrease in revenue from the provision of production enhancement services in China. In addition, there was also decrease in revenue from the provision of drilling services in China and provision of consultancy services provided in the Middle East market and other overseas market.

Material Costs

During the Year, the Group's material costs were approximately HK\$48.6 million, which has decreased by approximately HK\$57.3 million or approximately 54.1% as compared with that of approximately HK\$105.9 million in 2020. Material costs represented approximately 20.8% of the revenue in 2021, which was lower than that of 27.2% in 2020. The decrease in material costs as a percentage of revenue in 2021 was because the sale of well completion tools in 2021 commanded a higher profit margin than those in 2020.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK\$44.3 million, which has decreased by approximately HK\$9.2 million or approximately 17.2% as compared with that of approximately HK\$53.5 million in 2020. The decrease in depreciation of property, plant and equipment was mainly related to the disposal of PK Huizhou and its subsidiaries in June 2021.

Depreciation of Right-of-use Assets

During the Year, the depreciation of right-of-use assets amounted to approximately HK\$6.6 million, which has decreased by approximately HK\$2.2 million or approximately 25.0% as compared with that of approximately HK\$8.8 million in 2020. The decrease in depreciation of right-of-use assets was mainly resulted from the disposal of PK Huizhou and its subsidiaries in June 2021.

Employee Benefit Expenses

During the Year, the Group's employee benefit expenses were approximately HK\$62.1 million, which has decreased by approximately HK\$9.9 million or approximately 13.8% as compared with that of approximately HK\$72.0 million in 2020. As the Group's number of employees decreased following the disposal of PK Huizhou and its subsidiaries, the employee benefit expenses decreased in 2021.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK\$50.1 million, which has decreased by approximately HK\$52.5 million or approximately 51.2% from approximately HK\$102.6 million in 2020. Such decrease in technical service fee was mainly resulted from the decrease in the provision of production enhancement service in 2021.

Entertainment and Marketing Expenses

During the Year, entertainment and marketing expenses amounted to approximately HK\$14.3 million, which has increased by approximately HK\$3.0 million or approximately 26.5% from approximately HK\$11.3 million in 2020. The increase in entertainment and marketing expenses was mainly resulted from the resumption of marketing activities in 2021 as the impact of the COVID-19 pandemic has less influence on the social and commercial activities in the PRC.

Other Expenses

During the Year, the Group's other expenses were approximately HK\$25.1 million, which has decreased by approximately HK\$5.5 million or approximately 18.0% from approximately HK\$30.6 million in 2020, mainly attributable to the decrease in legal and professional fees and office expenses.

Net Impairment Loss on Financial Assets

During the Year, net impairment loss on financial assets amounted to approximately HK\$9.6 million, which has decreased by approximately HK\$2.9 million or approximately 23.2% from approximately HK\$12.5 million in 2020. Such decrease in net impairment loss on financial assets was due to the overall improvement in the quality of the financial assets in 2020.

Impairment Loss on Goodwill

During the Year, the Group has made impairment loss on goodwill of approximately HK\$9.8 million (2020: Nil) as the performance of the Group's consultancy services segment has been adversely affected by the industry downturn resulting from the volatile international oil price and the global outbreak of the COVID-19 pandemic.

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

During the Year, impairment loss on/write-off of property, plant and equipment amounted to approximately HK\$15.3 million, which has increased by approximately HK\$7.7 million or approximately 101.3% from approximately HK\$7.6 million in 2020 as the performance of the Group's oilfield project services segment has been adversely affected by the industry downturn resulting from the volatile international oil price and the global outbreak of the COVID-19 pandemic.

Other Gains/(losses), Net

Other gains/(losses), net increased by approximately HK\$4.9 million from approximately HK\$2.8 million in 2020 to approximately HK\$7.7 million in 2021. The increase was mainly resulted from the increase in government subsidiaries received in 2021.

Operating Loss

As a result of the foregoing, the Group's operating loss in 2021 amounted to approximately HK\$80.6 million, which has increased by approximately HK\$27.4 million or approximately 51.5% as compared with that of approximately HK\$53.2 million in 2020.

Finance Costs, Net

During the Year, the Group's net finance costs amounted to approximately HK\$20.8 million, which has decreased by approximately HK\$5.5 million or approximately 20.9% as compared with that of approximately HK\$26.3 million in 2020. Such decrease in net finance costs was mainly resulted from the repayment of certain borrowings by the Group in 2021 and the decrease in the level of borrowings following the disposal of PK Huizhou and its subsidiaries. In addition, the Group has recorded interest income of approximately HK\$1.8 million from PK Huizhou and its subsidiaries during 2021.

Share of Results of Associates

During the Year, the Group recorded share of results of associates of approximately HK\$4.4 million (2020: Nil). The balance mainly represented the Group's share of profit of PK Huizhou and its subsidiaries during the Year subsequent to the completion of the PK Huizhou Transactions in June 2021.

Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK\$76.7 million, which has decreased by approximately HK\$2.0 million or approximately 2.5% as compared with that of approximately HK\$78.7 million in 2020.

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 2021 was approximately HK\$81.8 million, which has increased by approximately HK\$8.8 million or approximately 12.1% as compared with that of approximately HK\$73.0 million in 2020.

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 2021, the Group's property, plant and equipment amounted to approximately HK\$157.6 million, which has decreased by approximately HK\$174.8 million or approximately 52.6% from approximately HK\$332.4 million as at 31 December 2020. The decrease was mainly due to the disposal of PK Huizhou and its subsidiaries in 2021.

Intangible Assets

As at 31 December 2021, the Group's intangible assets, including goodwill, amounted to approximately HK\$85.7 million, which has decreased by approximately 10.4% or approximately HK\$10.0 million from approximately HK\$95.7 million as at 31 December 2020. Such decrease was mainly resulted from the impairment loss on goodwill of approximately HK\$9.8 million made in 2021 as the performance of the Group's consultancy services segment has been adversely affected by the industry downturn resulting from the volatile international oil price and the global outbreak of the COVID-19 pandemic.

Right-of-use Assets

As at 31 December 2021, the Group's right-of-use assets amounted to approximately HK\$1.7 million, which has decreased by approximately HK\$31.8 million or approximately 94.9% from approximately HK\$33.5 million as at 31 December 2020. The decrease was mainly due to the disposal of PK Huizhou and its subsidiaries in 2021.

Interests in Associates

As at 31 December 2021, the Group's interests in associates amounted to approximately HK\$67.3 million, representing an increase of approximately HK\$65.9 million as compared with that of approximately HK\$1.4 million as at 31 December 2020. Upon the completion of the PK Huizhou Transactions in June 2021, the Group's equity interest in PK Huizhou has been accounted for as investment in an associate as at 31 December 2021. PK Huizhou and its subsidiaries are principally engaged in the research and development, production and trading of oilfield and gas field related products.

Other Receivables and Deposits

As at 31 December 2021, the sum of current and non-current other receivables and deposits amounted to approximately HK\$117.8 million, representing an increase of approximately HK\$37.1 million or approximately 46.0% as compared with that of approximately HK\$80.7 million as at 31 December 2020. As a result of the disposal of PK Huizhou and its subsidiaries in June 2021, the former intra-group receivables due from PK Huizhou and its subsidiaries have been reclassified as receivables due from associated companies.

Inventories

As at 31 December 2021, the Group's inventories amounted to approximately HK\$24.3 million, representing a decrease of approximately HK\$34.6 million or approximately 58.7% as compared with that of approximately HK\$58.9 million as at 31 December 2020. The decrease in inventories was mainly due to the disposal of PK Huizhou and its subsidiaries during 2021. The average turnover days of inventories increased from approximately 197 days in 2020 to approximately 313 days in 2021. The increase in inventory turnover days was mainly due to the disposal of PK Huizhou and its subsidiaries during the Year.

Trade Receivables

As at 31 December 2021, the Group's trade receivables amounted to approximately HK\$185.0 million, representing a decrease of approximately HK\$55.8 million or approximately 23.2% as compared with that of approximately HK\$240.8 million as at 31 December 2020. The average turnover days of trade receivables was approximately 332 days in 2021, representing an increase of approximately 106 days as compared with that of approximately 226 days in 2020. The increase in turnover days of trade receivables was mainly due to the decrease in turnover in 2021.

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 2021, the Group's contract assets amounted to approximately HK\$23.7 million, representing a decrease of approximately HK\$94.8 million or approximately 80.0% as compared with that of approximately HK\$118.5 million as at 31 December 2020. The decrease was mainly due to the decrease in unbilled works related to the provision of production enhancement services to certain customers during 2021.

Trade Payables

As at 31 December 2021, the Group's trade payables were approximately HK\$158.6 million, which has decreased by approximately HK\$14.3 million or approximately 8.3% as compared with that of approximately HK\$172.9 million as at 31 December 2020. The average turnover days of trade payables increased from approximately 265 days in 2020 to approximately 613 days in 2021, representing an increase of approximately 348 days. The increase in turnover days of trade payables was mainly resulted from the decrease in material costs and technical service fees in 2021.

Other Payables and Accruals

As at 31 December 2021, the Group's other payables and accruals amounted to approximately HK\$79.1 million, representing a decrease of approximately HK\$52.0 million or approximately 39.7% as compared with that of approximately HK\$131.1 million as at 31 December 2020. Upon the completion of the PK Huizhou Transactions in June 2021, the consideration of approximately HK\$29.3 million received in advance in relation to the PK Huizhou Transactions no longer considered as liabilities. In addition, the Group has speeded up its settlement of other payables and accruals during 2021, which caused a decrease in the balance of other payables and accruals.

Lease Liabilities

As at 31 December 2021, the sum of current and non-current lease liabilities amounted to approximately HK\$1.9 million, representing a decrease of approximately HK\$22.3 million or approximately 92.1% as compared with that of approximately HK\$24.2 million as at 31 December 2020. The decrease in lease liabilities was mainly resulted from the disposal of PK Huizhou and its subsidiaries during 2021.

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 2021, the Group's cash and cash equivalents amounted to approximately HK\$26.5 million, representing a decrease of approximately HK\$3.1 million as compared with that of approximately HK\$29.6 million as at 31 December 2020. The cash and cash equivalents were mainly held in RMB and US\$.

As at 31 December 2021, the Group's bank and other borrowings amounted to approximately HK\$185.3 million (31 December 2020: HK\$327.2 million), of which approximately 62.1% (31 December 2020: 72.0%) was repayable within one year. As at 31 December 2021, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2020: 90.3%) of such borrowings bore interests at fixed lending rates.

As at 31 December 2021, certain machineries of the Group with carrying values of approximately HK\$7.2 million (31 December 2020: certain buildings of approximately HK\$81.0 million, machineries of approximately HK\$65.3 million and right-of use assets of approximately HK\$33.5 million) were pledged to secure general banking facilities, instalment loan and lease liabilities granted to the Group.

Gearing Ratio

As at 31 December 2021, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 35.5% (2020: 47.3%). 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 2021, the Group did not have any capital commitment (2020: Nil).

Off-balance Sheet Arrangements

As at 31 December 2021, the Group did not have any off-balance sheet arrangements (2020: 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 21 June 2022 to 24 June 2022, 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 20 June 2022.

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 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 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.

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 2021 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. 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 2022

As at the date of this announcement, the executive Directors are Mr. Zhao Jindong and Mr. Huang Yu; 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. Tong Hin Wor and Mr. Xin Junhe.