2021

Annual Report

PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2178

CONTENTS

FINANCIAL HIGHLIGHT

Operating Figures

For the year ended 31 December	**2021 HK$'000**	2020 HK$'000 (re-presented)	Change	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**163,967**	307,993	-46.8%	478,245	258,932	287,848
Operating (loss)/profit	**(80,523)**	1,868	N/A	(60,717)	(602,681)	(138,332)
Loss for the year from continuing operations	**(94,629)**	(20,978)	351.1%	(87,378)	(624,071)	(181,142)
Profit/(loss) for the year from discontinued operations	**17,897**	(57,751)	N/A	–	–	–
Loss for the year	**(76,732)**	(78,729)	-2.5%	(87,378)	(624,071)	(181,142)
Loss per share						
Basic (HK$ cents)	**(4.7)**	(4.2)	11.9%	(5.0)	(36)	(10)
Diluted (HK$ cents)	**(4.7)**	(4.2)	11.9%	(5.0)	(36)	(10)

Consolidated Balance Sheet

As at 31 December	**2021 HK$'000**	2020 HK$'000	Change	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**716,490**	1,018,689	-29.7%	966,588	983,897	1,539,840
Non-current assets	**321,065**	493,653	-35.0%	513,472	535,771	866,495
Current assets	**395,425**	525,036	-24.7%	453,116	448,126	673,345
Total liabilities	**425,811**	664,274	-35.9%	560,873	520,277	416,055
Non-current liabilities	**70,474**	105,746	-33.4%	35,866	216,690	48,330
Current liabilities	**355,337**	558,528	-36.4%	525,007	303,587	367,725
Net current assets/(liabilities)	**40,088**	(33,492)	N/A	(71,891)	144,539	305,620
Net assets	**290,679**	354,416	-18.0%	405,715	463,620	1,123,785

Financial Indicators

For the year ended 31 December	**2021**	2020	2019	2018	2017
Trade receivables turnover days	**332**	226	171	432	513
Inventory turnover days	**313**	197	229	335	414
Trade payables turnover days	**613**	265	260	352	378
Current ratio	**1.11**	0.94	0.86	1.48	1.83
Gearing ratio *(Note 1)*	**35.5%**	47.3%	42.3%	33.9%	13.7%
Return on Equity *(Note 2)*	**-23.8%**	-20.7%	-20.1%	-78.6%	-15.3%

Note 1: Based on net debt over total capital.

Note 2: Based on the loss for the year over the average of the total equity at the beginning and end of the financial year.

CORPORATE PROFILE AND STRUCTURE

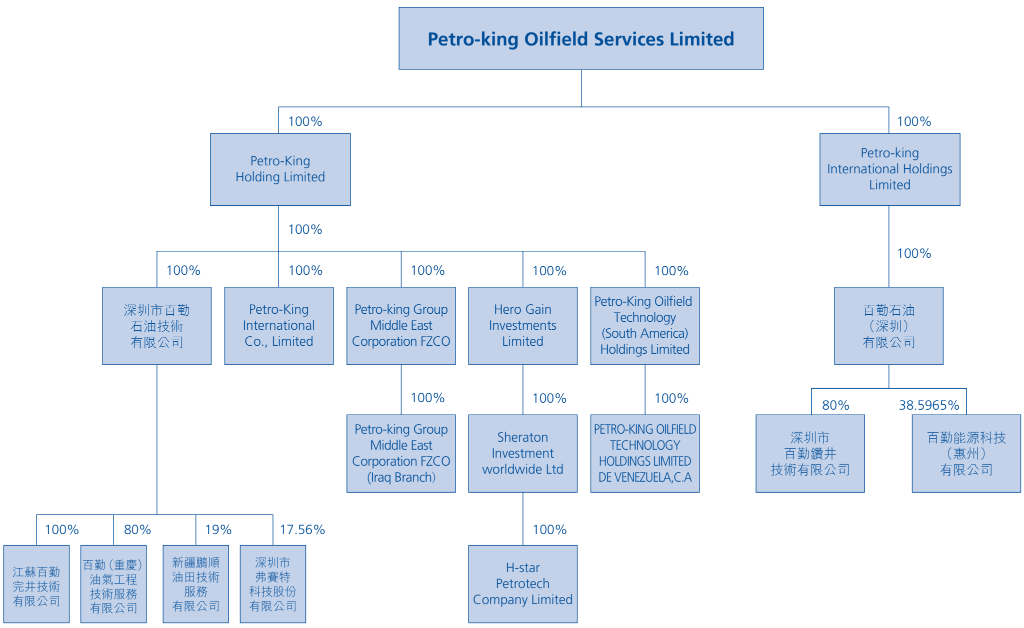
CORPORATE PROFILE

Petro-king Oilfield Services Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") (stock code: 2178) is a leading independent provider of high-end oilfield and gas field services based in the People's Republic of China (the "**PRC**" or "**China**").

We provide oilfield and gas field technology services covering various stages in the life cycle of oilfields and gas fields including drilling, well completion and production enhancement as well as trading of oilfield and gas field related products.

Since our inception in 2002, we have provided services/products to customers located in various regions/countries in the world, including the PRC, the Middle East, Russia, Australia, Canada, South America, Singapore, Indonesia, Taiwan, Kazakhstan, Kyrgyzstan, Turkmenistan, the Republic of Trinidad and Tobago, the United States of America (The "**USA**"), Egypt, Nigeria, and the Gabonese Republic.

CORPORATE STRUCTURE AS AT 31 DECEMBER 2021



CHAIRMAN'S STATEMENT

WANG JINLONG
Chairman

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I hereby present to the shareholders of the Company (the "**Shareholders**") the annual report of the Group 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.

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.

APPRECIATION

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

Wang Jinlong
Chairman

Hong Kong, 30 March 2022

* *For identification purpose only*

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	**233.8**	389.9	-40.0%	**100%**	100%

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	**186.1**	332.8	-44.1%	**100%**	100%

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 *(HK$ million)*	2020 *(HK$ million)*	Approximate percentage change *(%)*	**Approximate percentage of total revenue from the overseas market in 2021 *(%)***	Approximate percentage of total revenue from the overseas market in 2020 *(%)*
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	**47.7**	57.1	-16.5%	**100%**	100%

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 *(Note)*	**6.7**	6.7	0%	**2.9%**	1.7%
Total	**233.8**	389.9	-40.0%	**100%**	100%

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	**199.0**	339.5	-41.4%	**100%**	100%

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 (HK$ million)	2020 (HK$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2021 (%)	Approximate percentage of total revenue in 2020 (%)
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.

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 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. PK Huizhou has not declared any dividend during the Year.

Loss for the Year

As a result of the foregoings, 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. As at 31 December 2021, the fair value of the Group's interest in PK Huizhou was approximately HK$67,250,000, which represented approximately 9.4% of the Group's total assets. In addition, the Group has loan receivables of approximately HK$52,239,000 due from PK Huizhou and its subsidiaries as at 31 December 2021. Further details of the Group's interests in associates are set out in note 32 to the consolidated financial statements. PK Huizhou and its subsidiaries are principally engaged in the research and development, production and trading of oilfield and gas field related products. The Group currently intends to retain its interest in PK Huizhou as a long term strategic investment.

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. The Group had not used any financial instrument for hedging purpose during the Year.

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 42 to the consolidated financial information in this report, no other significant event has occurred after the end of the reporting period and up to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the sixth Environmental, Social, and Governance (the "**ESG**") report of Petro-King Oilfield Services Limited (the "**Company**", and together with its subsidiaries referred to as the "**Group**"), highlighting its ESG performance, with disclosure references made to the ESG Reporting Guide as prescribed in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

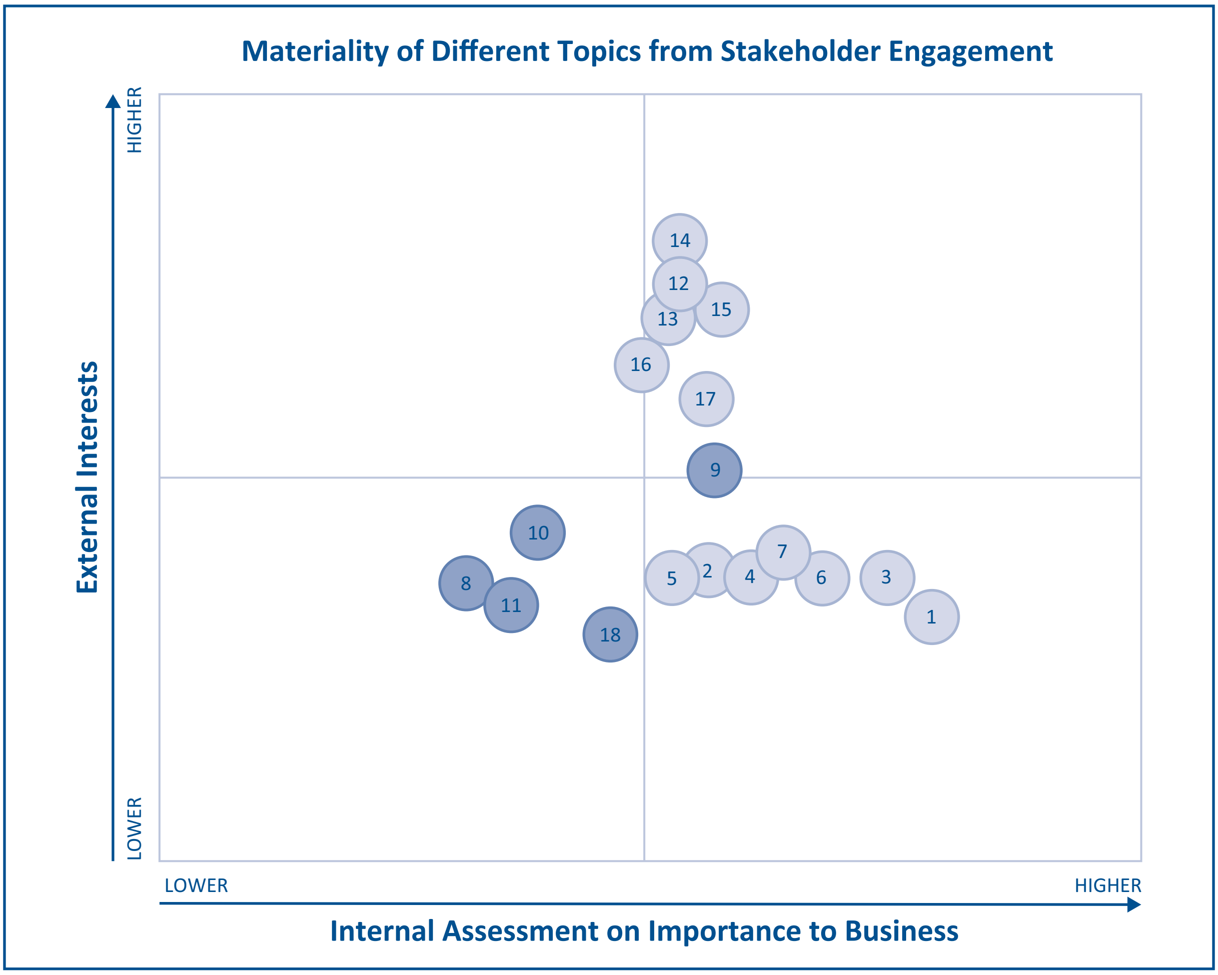
The Group is principally engaged in the provision of oilfield and gas field technology services covering various stages in the life cycle of oilfields, including drilling, well completion and production enhancement, as well as trading and manufacturing of oilfield and gas field related products. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social aspects of its major business operations in the People's Republic of China (the "**PRC**") from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), unless otherwise stated. The major operational site for the Group during the Reporting Period is the headquarters office in Shenzhen, the PRC, namely Petro-king Oilfield Technology Limited, (hereafter "**Shenzhen office**").

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group maintains ongoing dialogue with key stakeholders via various communication channels including monthly meetings, emails, and regular customer surveys. To identify significant ESG topics, the Group specifically engaged both internal and external stakeholders, namely the Board of Directors (the "**Board**"), senior management, shareholders, frontline staff, suppliers and customers, to gain insights into ESG material topics and challenges to the Group's operation during the Reporting Period. In the materiality assessment, stakeholders were asked to rate a list of 17 topics in terms of their relevance and importance to the Group's business development and sustainability, as well as to the wider community.

Results of the materiality assessment and the consolidated list of material aspects are presented in the following matrix and table respectively.

Materiality Matrix



A.	Environmental Issues
1	Energy
2	Water
3	Emissions
4	Effluent and Waste
5	Other Raw Materials Consumption
6	Environmental Protection Policies
7	Climate Change

B.	Social Issues
8	Employment
9	Occupational Health and Safety
10	Development and Training
11	Labor Standards
12	Supply Chain Management
13	Intellectual Property Rights
14	Customer Data Protection
15	Customer Service
16	Product/Service Quality
17	Anti-corruption
18	Community Investment

Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:

- Energy
- Emissions
- Environmental Protection Policies
- Climate Change
- Effluent and Waste

From the perspectives of stakeholders, all the material ESG issues fall under the environmental issues, whereas social aspects were considered less material to the Group's business operation. The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects has been described in separate sections below. The Group will continue to maintain close communication with stakeholders to understand their expectations and perspectives on the Group's ESG approach.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us via email at ir@petro-king.cn.

THE GROUP'S SUSTAINABILITY COMMITMENT

The Board has overall responsibility for the Group's ESG strategy and reporting. The Group is committed to conducting its business in a responsible manner by adhering to the highest standards of quality, occupational health, safety and environmental (the "**QHSE**"). The Group has incorporated ESG considerations into daily operations, demonstrating the Group's strong commitment to protecting the environment, caring for its people, and addressing the community needs. As a responsible corporate citizen, the Group prioritizes local employment when recruiting contract workers to provide opportunities for local workers and support local communities.

The QHSE policy forms an integral part of the Group and showcases the Group's commitments to sustainability and occupational health, safety and environmental (the "**HSE**") matters. In addition to complying with regulatory requirements, the Group takes pride in its pursuit of continuous improvement, to earn the trust of the customers, shareholders and the public.

The Group strives to:

- achieve zero injuries and incidents;
- protect the natural environment;
- use materials and energy efficiently in product and service delivery;
- apply the best safety practices to the operations;
- improve HSE performance as an integral part of Group's operational strategy; and
- promote a culture in which all the employees within the Group share a common commitment to achieve goals.

Major challenges encountered by the Group are the increasingly sophisticated demands of customers on the QHSE requirements, product and service quality, and conformity to applicable industry standards, legal and contractual requirements. Correspondingly, the Group stringently complies with all applicable laws, regulations and industry standards to guarantee consistent product quality that meets and exceeds customers' requirements. The Group also manages operational risks effectively to advance towards the goals of zero injuries, zero pollution and zero accidents.

THE GROUP'S SUSTAINABILITY GOVERNANCE

The Board has overall responsibility for the Group's sustainability strategy and reporting. The sustainability plan of the Group is developed based on results of ESG Reports and regular reports from senior management of its subsidiaries, which is reviewed on an annual basis and adjusted as needed to align with the long-term business strategy of the Group.

Furthermore, the Board has planned to set up an ESG task force team to assess and manage ESG-related issues during the Reporting Period. The ESG task force team will comprise of employees from different departments of the Group, who are in charge of overseeing the implementation of ESG policies across the Group's operations, as well as reporting any potential ESG issues to the Board. These measures shall ensure the sustainable and responsible growth and operation of the Group.

AWARDS AND RECOGNITIONS

The Group is currently a member of the International Association of Drilling Contractors ("**IADC**"). During the Reporting Period, the Group has been certified as a High-Tech Enterprise by the Shenzhen Science and Technology Department, Shenzhen Finance Bureau and Shenzhen Tax Service and State Taxation Administration. As a result of continuous pursuit of HSE and quality management excellence, the Group has also obtained certifications from the following management systems:

Scope	Certification	Area
Environment	ISO 14001 Environmental Management System	Oil and gas
Workplace Safety	ISO 45001 Occupational Health and Safety Management System	Oil and gas
Quality Assurance	ISO 9001 Quality Management System	Oil and gas
	API Specification Q1	Oil and gas
	GJB9001C-2017 Quality Management System	National Military

A. ENVIRONMENTAL

The Group has obtained an ISO 14001 Environmental Management System certification and developed various systems and policies, including the Environmental Protection Management Procedure, Waste Management System and Environmental Management System for Drilling Sites, for the mitigation of potential environmental impacts. The Group strictly complies with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to the followings:

- Environmental Protection Law of the PRC
- Law of the PRC on the Prevention and Control of Atmospheric Pollution
- Cleaner Production Promotion Law of the PRC
- Law of the PRC on Appraising of Environment Impacts
- Water Pollution Prevention and Control Law of the PRC
- Soil Pollution Prevention and Control Law of the PRC
- Circular Economy Promotion Law of the PRC
- Energy Conservation Law of the PRC
- Marine Environment Protection Law of the PRC
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste
- Measures for the Administration of Transfer of Hazardous Wastes
- National Hazardous Waste Inventory (2021 Edition)

No non-compliance with relevant laws and regulations, that have a significant impact to the Group, relating to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste was identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

During the Reporting Period, the Group-owned, fossil-fueled vehicles (e.g., passenger cars, vans, and other mobile machinery) were used for daily business operations, which contributed to the emission of nitrogen oxides ("**NO_x**"), sulfur oxides ("**SO_x**") and respiratory suspended particles ("**RSP**").

Mobile fuel source	**Air emissions (non-GHG) from the mobile combustion**		
	NO_x (kg)	RSP (kg)	SO_x (kg)
Petrol and diesel	28.02	2.06	0.55

During the Reporting Period, dust emitted from the cutting process was closely monitored and discharged into the atmosphere through designated pipes, where the concentrations were within the permissible limits set by the national emission standard, including the Integrated Emission Standards for Air Pollutants (GB16297-1996).

A1.2 Greenhouse Gas Emissions

During the Reporting Period, the Group's business operation contributed to an emission of 165.71 tonnes of carbon dioxide equivalent ("**$tCO_2eq.$**"), mainly carbon dioxide, methane and nitrous oxide. The overall intensity of the GHG emissions for the Group was 0.14 $tCO_2eq./m^2$ with reference to the total floor area of the Group's business operations, and 0.93 $tCO_2eq.$/staff with reference to the total number of employees during the Reporting Period.

The GHG emissions reported included the following activities and scopes:

- Direct (scope 1) GHG emissions from the consumption of petrol;
- Energy indirect (scope 2) GHG emissions from purchased electricity and
- Other indirect (scope 3) GHG emissions from business air travel, municipal freshwater and waste paper disposal.

Scope of GHG emissions	Emission sources	GHG Emissions *(in $tCO_2eq.$)*	Sub-total *(in $tCO_2eq.$)*	Total GHG emissions *(%)*
Scope 1 Direct Emission[1]	Petrol (mobile source)	99.88	99.88	60%
Scope 2 Energy Indirect Emission[2]	Purchased electricity	27.21	27.21	16%
Scope 3 Other Indirect Emission	Paper disposed of at landfills	3.02	38.61	24%
	Electricity used for freshwater possessing	0.04		
	Business air travel by employees[3]	35.55		
Total			165.70	100%

Note 1: Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by the Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor of 0.6101 tCO_2/MWh were used for purchased electricity in the National Grid of the PRC

Note 3: CO_2 emissions from the Group's business air travels were reported with accordance to the International Civil Aviation Organization (ICAO) Carbon Emission Calculator.

A1.3 Hazardous Waste

The Group generated a total of 0.0 tonnes of hazardous waste compared to 3.64 tonnes in 2020, during the Reporting Period.

A1.4 Non-hazardous Waste

The Group generated a total of 2 tonnes of non-hazardous waste (2020: 124.22 tonnes) during the Reporting Period, with an overall intensity of 1.67 kg/m^2 and 11.17 kg/staff. Non-hazardous waste was from domestic waste from the office.

A1.5 Measures to Mitigate Emissions

By establishing the ISO 14001 Environmental Management System in the Group's operations, the Group can effectively manage risks regarding climate change, energy and carbon management of its day-to-day operations. At the same time, the Group has formulated environmental targets and kept track of performance to minimize its emissions. The Group has established a 10-year Group-wise emission reduction target to reduce emissions by 10% by fiscal year 2031.

The Group has actively implemented various air pollution controls to mitigate emissions arising from the Group's operations, including regular monitoring activities and proper maintenance of production facilities.

Road Transport Source

To reduce vehicle emissions, the Group provides incentives for employees who use public transit for commuting. The Group promotes the use of low-emission vehicles and encourages employees to select electric motorcycles instead of fossil-fueled ones to minimize emissions and carbon footprints.

When traveling by the Group's vehicles, employees are required to carefully plan the schedules and routes to avoid traffic congestion. When looking for car rental services, the Group gives preference to electric cars that produce zero exhaust emissions. Car inspection and maintenance are conducted regularly to fix engine failures to reduce vehicle emissions.

Business Air Travel

Due to the business nature of the Group, employees travel frequently to oilfields for provision of oilfield services to clients. To reduce emissions due to business travel, the Group encourages employees to take public transportation such as buses, trains, and high-speed trains. In cases of urgent business matters, or unfavorable traffic conditions, employees can obtain management's permission to travel by air.

A1.6 Waste Handling and Reduction Initiatives

Non-hazardous waste are sorted according to their types and recycled by accredited recycling companies.

The Group continues to implement initiatives to reduce waste at source. For instance, the Group encourages double-sided printing, promotes the use of electronic documentations, and keeps track of paper consumption to promote a paperless office. Waste recycling bins are installed in the offices to encourage paper recycling.

A2. Use of Resources

The Group's Environmental Protection Policy enacts a wise, rational, and efficient use of resources throughout the business operations. The Group endeavors to enhance resources efficiency in the use of energy, water and raw materials while complying with applicable environmental requirements.

A2.1 Energy Consumption

The total energy consumption of the Group was 377,370 Kilowatt-hour ("**kWh**"), with an overall energy intensity of 314.68 kWh/m^2 and 2.11 MWh/staff during the Reporting Period. Types of energy consumed included electricity and petrol. The table below presents the energy consumption by energy types and the associated energy intensity.

Direct/indirect energy sources	**Consumption** *(unit)*	**Consumption** *(kWh)*	**Energy Intensity** *(kWh/m^2)*
Electricity	44,600	44,600	37.19
Petrol	37,550 L	332,700	277.43
Group total		377,300	314.62

Note: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

During the reporting period, the Group's total consumption was 377,300kWh, with an overall intensity of 314.62 kWh/m^2 and 2,108 kWh/staff. Petrol was the largest energy consumption contributor, accounting for 88.2% of the total energy consumption. Electricity consumption (44,600 kWh) accounted for about 11.8% of the total energy consumption during the Reporting Period.

A2.2 Water Consumption

Freshwater is sourced from municipal water supply system. During the Reporting Period, the total water consumption for the Group was 106 m^3, with an overall energy intensity of 0.59 m^3/staff or 0.08 m^3/m^2, a significant decrease compared with the last Reporting Period's figure of 0.86 m^3/m^2.

Operational sites	**Water consumption (in m^3)**
Shenzhen office	106
The Group total	106

A2.3 Energy Use Efficiency Initiatives

The Group has adopted various measures to ensure the rational use of energy resources. To conserve energy use, the Group restricts the use of air conditioners and maintains default temperature setting of air conditioners of 26°C in summer. When choosing electrical appliances (e.g., air conditioners), the Group gives priority to energy-efficient models.

A2.4 Water Use Efficiency Initiatives

The Group continuously conserves water resources and manages its water consumption effectively through different control measures. Taps with water-saving features are installed at the Shenzhen office. No issues on sourcing water were reported during the Reporting Period.

A2.5 Packaging Material

No packaging materials were consumed by the Group during the Reporting period.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's business activities do not pose significant adverse impacts on the environment, except for the minor impacts arisen from consumption of natural resources (e.g., water and energy), and emissions. Aware of its environmental influences, the Group actively manages and assesses its environmental impacts through policy controls and acts decisively to prevent environmental damages.

The Environmental Protection Management Procedure is enforced to regulate the use of natural resources. For instances, the Group has conserved water and energy resources through installing water-efficient devices in the office; setting air-conditioners at an energy-saving temperature as well as carrying out proper maintenance of equipment. The administration department keeps track of the monthly consumption of water and electricity. As a result, all the operating activities are monitored to prevent excessive and unnecessary use of resources.

Looking forward, the Group will step up efforts to further lessen its impacts on the natural environment in creating a healthy environment for its employees. During the Reporting Period, the Group did not receive any complaints from the surrounding community concerning air pollution, odor, noise, or other environmental pollution incidents.

A4. Climate Change

The Group is keenly aware of the risks that climate change poses to the environment and ultimately towards the Group's success. All departments report climate change risks and threats to the senior management on an annual basis. The senior management is responsible for evaluating any climate risks brought to their attention and provide strategic direction to help negate such risks.

Physical Risks

Extreme weather events such as drought and typhoons may cause the business to suffer and also affect the wellbeing of our staff.

Transition Risk

Due to the PRC's national low-carbon policy, business cost increases and the low-carbon demand from customers may also increase our operation cost, and the switch from the traditional oil and gas market may lead to decrease in income. The price fluctuation of steel and carbide is very volatile, and the Group may have difficulty in purchasing steel and carbide, resulting in a non-controllable production cost.

Opportunities

The Group will improve management and technology levels to increase operational efficiency and competitiveness of the company. By exploring new, clean energy technology and entering the clean energy market we see opportunities to expand our business in the future.

The Future

As the Group is linked to the traditional oil and gas market, the Group's business activities may affect the environment and use of natural resources in many ways. Water and energy consumption, carbon dioxide emissions and oil leakage all have an impact on the environment. The Group has adopted several initiatives to reduce the impact of operations on the environment and natural resources, including the following;

- For business strategy, we consider the nature of business and location of facilities, price and supply chains research and investment and labour flow.
- In financial terms, factors such as capital expenditure and allocation, operational cost and incomes, acquisition and divestiture of asset investment are all key factors that the Group takes into consideration.
- Observe and monitor greenhouse gas emissions and introduce policies and targets to reduce emissions and thereby reduce the environmental impact.

B. SOCIAL

1. Employment and labour practices

The Group recognizes and appreciates the hard work of its employees. With a mission to create values for its employees, the Group cares about the wellbeing of its employees and provides attractive career prospects and diversified learning opportunities to them.

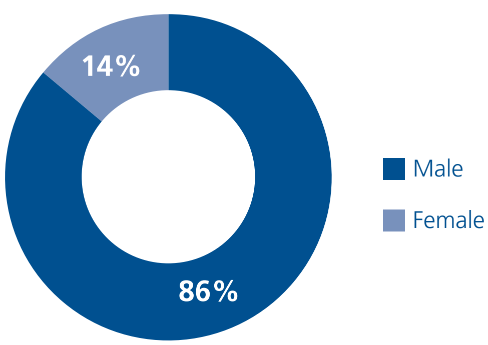
B1. Employment

The Group endeavors to provide a fair and transparent workplace that offers rewarding remuneration and equitable human resource (the "**HR**") management policies. The Group strictly complies with national and local laws and regulations in relation to employment and labor practices, including but not limited to the followings:

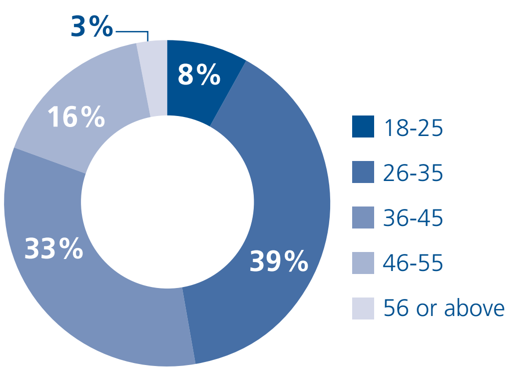
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Regulation on Paid Annual Leave for Employees
- Regulations of the State Council on the Hours of Work of Employees
- Trade Union Law of the PRC

As of 31 December 2021, the Group had a total of 213 employees. All of them were full-time employees. Due to the divestment of the Singapore and Huizhou facilities, the total number of employees was considerable reduced in the reporting period. The total workforce which is sorted by gender, age group, and employee category are shown below.

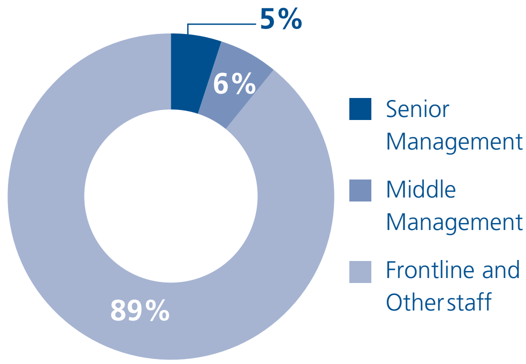
Employees by Gender



Employees by Age Group



Employees by Employment Category



The employment contract lays down the details of the appointment, such as position, commencement date, remuneration and promotion, compensation and dismissal policy, probationary period, leave entitlement, reward and penalty system and other terms and conditions of employment enforced by relevant laws and regulations. The Group's policies, standards and expectations of its employees are well documented and communicated through the Group's Code of Conduct and respective policies in the employee handbook.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare were identified during the Reporting Period.

Competitive Compensation and Benefits Package

The Group offers a competitive remuneration package to their employees and ensures that the benefits and welfare are provided in accordance with the applicable laws and regulations. The Group provides social insurance, subsidies, holidays and other benefits according to the statutory requirements. Apart from statutory holidays, employees are entitled to paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, injury leave, compensation leave, breastfeeding break and condolence money. Annual health check-ups are provided to employees in the PRC operations. Employees are entitled to year-end bonus or pro-rated bonus for new hires based on the duration of employment in the calendar year. Employees who work beyond the statutory working hours are eligible for overtime pay or compensatory leave as stipulated in the Labor Law of the PRC. Salary reviews take place every year whilst salary increases are dependent on the performance of the operation sites, teams and individual.

Termination of Contract

Termination of employment may occur in several situations including resignation, dismissal and termination under various situations. Employees shall inform the Group in advance of their intention to resign according to the notification period as stated in the employment contracts. According to the termination policy, the Group reserves the right to dismiss an employee at any time by notification in writing if the employee is involved in acts of misconduct or has committed an offence against the local laws and regulations of the operation sites. There shall be no severance pay for dismissal cases nor payments for any outstanding earned annual leave and any declared bonus.

Appraisal and Promotion

The Group undertakes promotion exercise on an annual basis. Performance appraisal is conducted to evaluate the competencies of the employees via an end-of-year examination and performance appraisal. Managers of respective departments also assess the extent to which the employees have achieved their performance targets. Employees are eligible for career advancement within the Group based on their competencies and suitability for higher-ranking positions.

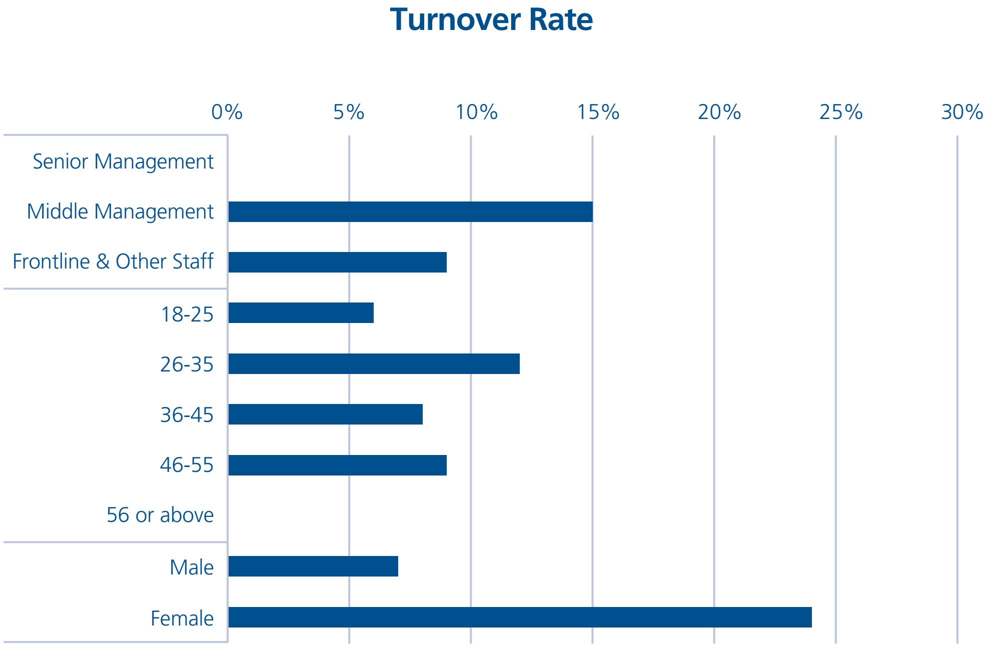
Equal opportunity

The Group strives to promote diversity and inclusion in the workplace. Non-discriminatory employment practices are in place to prohibit all forms of discrimination, including gender, age, family status, sexual orientation, disability, race and religion. Adhering to the employment discrimination laws, the Group supports diversity and respects the goal of equal opportunity employment in its business operations. During the Reporting Period, the Group made contributions to the Disabled Persons Employment Security Fund to support vocational training and job-placement services for people with disabilities.

Employee relations and turnover

To enhance employees' sense of belonging, the Group organizes various recreational and cultural activities including buffet gatherings, team bonding activities, sports events and tours for employees to foster better understanding of each other.

A total of 20 employees have left the Group during the Reporting Period, representing an overall turnover rate of 9.39%. The employee turnover rate by gender, age group and employment category are as follows:



B2. Employee Health and Safety

The health and safety of employees is of paramount importance to the Group. In line with the Group's QHSE commitment, the Group has obtained the ISO 45001 Occupational Health and Safety Management System and Level 3 of Work Safety Standardization certifications. The Group strictly complies with relevant laws and regulations concerning occupational health and safety, including but not limited to the following laws and regulations. No material non-compliance with relevant laws and regulations which may have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the Reporting Period.

Occupational health and safety laws and regulations complied with in the PRC

- Law of the PRC on the Prevention and Control of Occupational Diseases
- Road Traffic Safety Law of the PRC
- Regulation on Work-Related Injury Insurances
- Regulations of Guangdong Province on Production Safety
- Work Safety Law of the PRC (2021 version)
- Fire Protection Law of the PRC
- People's Republic of China Labor Law
- Workplace occupational health management regulations
- Labor Contract Law of the PRC

The Group has implemented the Health, Safety and Environment Risk Management Procedure and Occupational Health Management Policy to identify and assess occupational hazards, and to implement risk control measures regarding the associated production activities, overseen by the Health and Safety management working group. The procedures stipulate that all types of risks shall be fully controlled and eliminated through appropriate control measures. The Group closely monitors the inherent hazards and reviews the effectiveness of the measures.

To create an accident- and illness-free workplace, all frontline workers are provided with personal protection equipment (the "**PPE**") and they are required to put on PPE during the course of work. The Group provides annual health check-up for all employees and screens for physically fit workers for certain production activities. All fire safety installations and equipment are checked regularly by the government-approved licensed contractors. The Group conducts fire drills at all operation sites at least once a year. Employees also attend fire safety education talks organized by the property management to get trained on proper use of fire-fighting equipment and the safe evacuation in the event of a fire or other emergency.

The Group has provided earplugs to employees who are exposed to noise hazards. The occupational noise level registered during the Reporting Period was in compliance with the Emission Standard for Industrial Enterprises Nosie at Boundary (GB/T 12348-2008). The Group has implemented the following measures to avoid non-compliance:

- Enforcing the use of earplugs in the operations;
- Assessing occupational hazards in the plant regularly; and
- Carrying out proper maintenance of machinery and equipment.

In addition, all employees shall undergo adequate safety education and training to ensure that they acquire necessary knowledge about work safety and are familiar with the relevant rules for work safety and safe operation regulations. Employees have an obligation to report any safety violations and incidents of non-conformance in the workplace. The QHSE department shall investigate the issues thoroughly and report to respective departments for rectification. During the Reporting Period, there was no material non-compliance with the applicable laws and regulations relating to occupational health and safety on the Group.

No fatalities of the Group's employees have been recorded in the last three reporting years. There was one work-related injury case during the Reporting Period. Corrective actions were implemented to prevent recurrences.

Occupational Health and Safety Statistics in FY 2021

Work-related fatality	0
Lost days due to work injury	77 days

Our Responses to COVID-19

The health and safety of employees in times of the pandemic remains the Group's primary concern. In line with the national government's policies, the Group has set up a pandemic working group to manage an emergency response team that swiftly responded to the prevention and control of the virus.

The Group has put in place a suite of anti-epidemic measures to contain the spread of the virus and better protect the staff. In addition to stepping up the sanitation of the facilities, requiring staff to be vaccinated, the Group has also enforced social distancing measures in the workplace, conducts temperature checks for employees, and provided disinfection supplies including face masks and hand sanitizers. The Group will report promptly to the government when there is a suspected case of COVID-19 in the operating sites and make arrangements for quarantine and office closures.

B3. Development and Training

The Group provides comprehensive training and development programs to employees. The HR department develops strategic training and development plans according to the training needs, job requirements, local regulatory requirements, and upon requests by the employees. Training needs are identified through systematic evaluation with the aid of the occupational competency model.

Internally, the Group provides induction programs for all new hires, including introduction to HR policies, quality induction and vocational training. Existing employees undergo structured on-the-job trainings to enhance their knowledge and skills in the workplace. Besides, employees engaged in drilling operation shall receive specialized training, such as the competency courses provided by the IADC. Employees could work on vessels only after attending trainings on industrial safety for seafarers and obtaining qualification certificates on topics such as Personal Survival Techniques, Personal Safety and Social Responsibilities, Fire Prevention and Firefighting, First Aid, Survival Craft and Rescue Boats.

During the Reporting Period, the Group organized training sessions covering a broad range of topics for employees from different departments. Some of the Group's internal training programs are as follows:

- Improve staff knowledge and skill, encourage staff to acquire certifications and qualifications.
- Provide safety and technological training.
- Provide on-the-job training to staff who are responsible for special duties.
- Renew the qualifications of the staff.
- Identify the training needs of the staff: according to the ability of the staff and their duty requirements, we issue OA training requirement, and then approved by HR training management staff and directors.

Moreover, the Group constantly reviews the status of certifications obtained by its employees and reminds employees of renewal two months prior to expiration. Employees are required to attend all the arranged courses in order to renew the certifications and to maintain competences according to the recertification process.

Other than in-house training, employees are eligible for external training and encouraged to pursue higher education provided by Shenzhen Federation of Trade Unions and local educational institutions. To review training effectiveness, the Group analyses participants' feedback collected through various platforms including post-training questionnaires, interviews, observations and other feasible methods.

During the Reporting Period, 77 % of the Group's employees received training, the total training hours and the average training hours per employee were 7273 hours and 34 hours respectively.

Detailed breakdown of training provided to employees

By employee category

Senior Management	Percentage of employees trained	40 %
	Average training hours completed per employee	44.8
Middle management	Percentage of employees trained	54 %
	Average training hours completed per employee	31.38
Frontline and other staff	Percentage of employees trained	80 %
	Average training hours completed per employee	33.77

By gender

Male	Percentage of employees trained	80 %
	Average training hours completed per employee	38.22
Female	Percentage of employees trained	52 %
	Average training hours completed per employee	8.31

B4. Labor Standards

The Group complies with the Labor Law of the PRC, Provisions on the Prohibition of Using Child Labor, and internal recruitment guidelines which prohibits the employment of workers under the age of 16 in its operation.

The recruitment process is governed by the Group's recruitment process, employee handbook and statutory requirements. Pursuant to the Labor Law of the PRC, the human resources department verifies the credentials of candidates and conducts background checks to ensure that each employee hired by the Group meets the minimum age requirement.

If a violation is found, the Group will terminate the employment of the concerned persons immediately and take necessary disciplinary action against anyone who is in breach of any applicable laws and regulations. The Group may report any violations to legal entities of the operating regions, such as the Labor and Social Security Bureau of the PRC. There was no child labor nor forced labor employed in the Group; no cases of non-compliance of relevant laws and regulations in relation to labor standards were recorded during the Reporting Period.

2. Operating Practices

B5. Supply Chain Management

The Group signs HSE management agreements with contractors and service providers to ensure that adequate initiatives are implemented to manage the environmental and social issues in the supply of goods and delivery of services during the term of contract. The service providers shall abide by all the safety and environmental protection requirements as stipulated in the HSE management agreement. Whenever necessary, the Group will assign designated personnel to supervise and monitor the performances of providers to ensure that they meet the requirements. The Group also considers developing environmental and social requirements for suppliers in the supplier evaluation system when necessary.

As one of the concerned topics, the Group has deployed resources to optimize supply chain management. The Group identifies strategic suppliers by enterprise product positioning and development strategies. Suppliers are evaluated through a scientific approach and managed effectively at all levels. Working cooperatively, the Group develops a win-win and sustainable relationship with the suppliers that creates value for the Group.

During the Reporting Period, the Group had engaged a total of 134 suppliers, with the majority of goods and services procured from Mainland China suppliers.

Region	Number of suppliers	Types of suppliers
Mainland China	129	Raw materials, machinery and equipment, and service providers;
Others (including the US, the UK and Malaysia)	5	Raw and auxiliary materials, finished components, machinery and equipment, API testing software and service providers

B6. Product Responsibility

The Group keeps track of any amendment of applicable laws and regulations. Correspondingly, the Group regularly reviews and adopts relevant regulatory changes to corporate policies and procedures in order to fulfil new regulatory requirements.

Quality Assurance

The Group is committed to delivering products and services that meet the highest quality standards. The Group continues to provide customers with high-quality and cost-effective services leveraging on its industry-leading and world-class petroleum engineering technology. To maintain a consistent and reliable production process, the Group has implemented the ISO 9001 Quality Management System since 2006. Based on customer specifications, the Group manufactures oilfield- and gas field- related products that conform to applicable standards, specifications, and requirements of API Monogram (e.g., API Spec 6A, 14A, 14L, 11D1, 19G1 & 19AC).

The Group has a robust product inspection and testing system to ensure the safety and reliability of products. The Group has established policies and procedures on quality control/assurance processes and controls. Considering market changes, the Group reviews and enhances its quality management system from time to time and strengthens the inspections on incoming materials and final products.

Product Labelling, Health and Safety, and Advertising

Due to the Group's business nature, most of the products are manufactured according to the specifications per customers' requests. The advertising and labelling of products and services are regulated by the applicable laws and regulations, including the Trademark Law of the PRC and Anti-Unfair Competition Law of the PRC. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Product Recall and Customer Service

The Group has formulated policies on product recalls such as the Control of Nonconforming Product Procedure and the Control of Production and Service Provision. Customer complaints are resolved in accordance with the standardized complaints handling procedures with corrective measures implemented where necessary. During the Reporting Period, the Group did not receive any complaints. No product was recalled due to safety and health reasons and no material non-compliance with laws and regulations that have a significant impact on the Group in relation to product health and safety and customer services identified during the Reporting Period.

Data Protection

The Group places great emphasis on customer privacy and data protection. To enforce control on confidentiality and privacy, the Group has set out confidentiality rules in the Code of Conduct. The rules state that employees shall not pursue or engage in any act that may be detrimental to the Group, such as divulging confidential information concerning the Group, its business, or clients to unauthorized parties. Moreover, new hires are duly required to sign a non-disclosure agreement before access to sensitive information of the Group or third parties. By signing the confidentiality agreement, employees agree to the Group's policies for protecting proprietary information of the Group.

In terms of information technology (the "**IT**") management, the Group has implemented relevant management rules to ensure cybersecurity, data protection and proper maintenance of hardware and software assets. The Group actively implements cybersecurity measures to ensure cybersecurity risks are properly managed. For instance, the Group adopts the latest network security solutions and performs software and system updates as necessary.

There was no loss of customer data and privacy identified or non-compliance with laws and regulations that have a significant impact on the Group in relation to customer data protection and privacy was recorded during the Reporting Period.

Intellectual Property

The Group continuously invests in the development of oilfield services technology, aiming to launch innovative products and services with pride. The Group's Intellectual Property (the "**IP**") Policy is compliant with the Enterprise Intellectual Property Management (GB/T 29490-2013), Trademark Law and the Patent Law of the PRC, and regulates the implementation, maintenance and continuous improvement of the Group's management on IP rights. The Group is committed to using third-party licensed rights and IP assets rightfully without violation of any applicable laws and regulations on IP infringement. As of 31 December 2021, the information of patent application are as follows:

Serial number	Type	Patent approved	In the process of applying	Total
1	Innovation patents	5	9	14
2	Utility model patents	10	0	10
		15	9	24

The achievements and results accomplished by the research and development teams are owned by the Group, who can make full use of these inventions, creations, computer software, and other trade secrets within its business scope to reproduce, operate or transfer to a third party.

B7. Anti-corruption

The Group has zero tolerance for bribery and corruption. The Group's ethical standards and requirements are clearly set out in the Employee Handbook, which requires all business activities to be operated with high level of integrity. Regardless of seniority and employment nature, all employees are required to fully comply with the following anti-bribery and anti-corruption legislation:

- The Anti-Unfair Competition Law of the PRC
- The Criminal Law of the PRC

Employees are prohibited from committing theft, fraud or dishonesty in connection with the Group properties, or committing a criminal offence outside the Group, which brings adverse publicity to the Group and/or affects the Group's reputation. The Policy on Declaration and Handling of Conflict of Interest requires employees in key positions to submit an annual declaration of interests in work situations.

Whistleblowing System

The Group's Whistleblowing Policy states that whistleblowers can make confidential reports to the Board directly upon any suspicious activities, either in person or email to hr@petro-king.cn. All reports and the identities of whistle-blowers would be treated in the strictest confidence. In the event an employee is found to have committed any act of misconduct, the Group reserves the rights to take disciplinary actions including termination of employment.

The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

B8. Community Investment

The Group strives to discharge corporate social responsibility and actively participates in public welfare undertakings. To unify the community, the Group will consider formulating formal policies on community engagement with more volunteering opportunities provided to the employees. During the Reporting Period, the Group organized volunteering activities to address the needs of the neighborhood.

Activities in the reporting period	Beneficiary/Collaborators/ Partner organizations	Detailed resources input	Comment
Staff greeting during Chinese new year	Shenzhen Nanshan Yuehai Street Labour Union/Community Labour Union	Fruit	Activity date: 20th January, 2021 Unit: Shenzhen Nanshan Yuehai Street Labour Union/Community Labour Union Resources: Fruit Number of people: 60 people

CORPORATE GOVERNANCE PRACTICES

Petro-king Oilfield Services Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of the shareholders of the Company (the "**Shareholders**") in an enlightened and open manner.

During the year ended 31 December 2021 (the "**Year**" or "**2021**"), the board (the "**Board**") of directors (the "**Director(s)**") of the Company comprised two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the Year, the Company has complied with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 its code of conduct for carrying out transactions in the Company's securities by the Directors. After specific enquiry with the Directors, the Company confirmed that all Directors have fully complied with the required standard of dealings as set out in the Model Code during the Year.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Other than those disclosed in note 42 to the consolidated financial statements, no other significant event has occurred after the end of the Year and up to the date of this report.

THE BOARD OF DIRECTORS

The Board is responsible and has general powers for supervising and overseeing all important matters of the Group, including but not limited to the formulation and approval of management strategies and policies, review of the internal control and risk management systems as well as the financial performance, consideration of dividend policies and monitoring the performance of the senior management, while the management is responsible for the day-to-day management, administration and operations of the Group.

As at the date of this report, the Board was chaired by Mr. Wang Jinlong and comprised seven members, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The list of Directors is set out in the Report of the Directors in this report.

As at the date of this report, Mr. Huang Yu, an executive Director and the chief executive officer of the Company, is interested in approximately 3.07% of the issued share capital of King Shine Group Limited ("**King Shine**"). King Shine is a substantial shareholder of the Company which is interested in 488,920,138 Shares, representing approximately 28.32% of the issued Shares. Mr. Zhao Jindong, an executive Director, is interested in approximately 14.65% of the issued share capital of King Shine. Mr. Wang Jinlong, a non-executive Director and the chairman of the Company, is also interested in approximately 45.24% of the issued share capital of King Shine. Save as disclosed herein and the Report of the Directors in this report, and to the best knowledge of the Company, there were no other financial, business and family relationships among the members of the Board during the Year.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

According to Code Provision A.6.5 (now rearranged as C.1.4), all directors should participate in continuous professional development and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

Details of the continuous professional development participated by the Directors during the Year are as follows:

	Reading materials	Attending courses, seminars or conferences
Executive Directors		
Zhao Jindong	✓	✓
Huang Yu (appointed on 21 April 2021)	✓	✓
Non-executive Directors		
Lee Tommy (resigned on 21 April 2021)	✓	✓
Ma Hua (resigned on 21 April 2021)	✓	✓
Wang Jinlong (redesignated on 1 January 2022)	✓	✓
Wong Shiu Kee (appointed on 21 April 2021)	✓	✓
Independent non-executive Directors		
Leung Lin Cheong	✓	✓
Tong Hin Wor	✓	✓
Xin Junhe	✓	✓

To ensure that the Directors' contribution to the Board remains informed and relevant, the Company was responsible for arranging and funding suitable trainings to the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Jinlong, a non-executive Director and the chairman of the Board (the "**Chairman**"), plays the critical role of leading the Board in fulfilling its responsibilities. The role of the chief executive officer (the "**CEO**") is held by Mr. Huang Yu. While the Chairman oversees the Board's overall direction and functions and the long term development strategy of the Group, the CEO, supported by his management team, is responsible for the management decision and supervision of the Group's annual business plan and operational budget, and the overall daily management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10 and Rule 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the members of the Board, and one of whom possesses the appropriate professional qualifications in accounting and financial management.

Having considered the factors for assessing the independence of the independent non-executive Directors and having received the written annual confirmation of independence from each of them, the Board considers that all the independent non-executive Directors are independent.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code Provision A.1.1 (now rearranged as C.5.1) provides that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through electronic means of communication.

During the Year, the Board has held board meetings regularly for at least four times at approximately quarterly intervals. The matters covered in the board meetings include, among others, the approval of the final results of the Group for the year ended 31 December 2020, the approval of the interim results of the Group for the six months ended 30 June 2021, and the review and discussion of the financial performance of the Group.

Details of the attendance of the Directors in the board meetings, board committee meetings and general meetings held during 2021 are as follows:

	Meetings attended/Meetings held						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sanction Oversight Committee	2021 Annual General Meeting	2021 Extraordinary General Meeting
Executive Directors							
Zhao Jindong	4/4	–	–	–	–	1/1	1/1
Huang Yu (appointed on 21 April 2021)	2/2	–	–	–	–	1/1	–
Non-executive Directors							
Lee Tommy (resigned on 21 April 2021)	2/2	–	1/1	2/2	–	–	1/1
Ma Hua (resigned on 21 April 2021)	2/2	–	–	–	–	–	1/1
Wang Jinlong (redesignated on 1 January 2022)	4/4	–	2/2	2/2	2/2	1/1	1/1
Wong Shiu Kee (appointed on 21 April 2021)	2/2	–	–	–	–	1/1	–
Independent non-executive Directors							
Tong Hin Wor	4/4	2/2	2/2	2/2	–	1/1	1/1
Xin Junhe	4/4	2/2	2/2	2/2	2/2	1/1	1/1
Leung Lin Cheong	4/4	2/2	2/2	2/2	2/2	1/1	1/1

TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS

The initial term of office for each of the non-executive Directors (including independent non-executive Directors) is three years, subject to retirement and re-election at an annual general meeting pursuant to the articles of association of the Company.

BOARD DIVERSITY

The Company recognises and seizes the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the sanction oversight committee (the "**Sanction Oversight Committee**") to oversee the various aspects of the Company's affairs. The four Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 18 February 2013 with written terms of reference revised on 4 January 2019 and in compliance with the Code Provisions. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The members of the Audit Committee are Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe. Mr. Leung Lin Cheong is the chairman of the Audit Committee.

During the Year, two meetings of the Audit Committee were held on 30 March 2021 and 27 August 2021 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2020 and for the six months ended 30 June 2021, respectively and the consideration and recommendation of the change of auditor of the Company. All members of the Audit Committee attended these meetings.

The Audit Committee has reviewed, considered and discussed the Company's annual report, financial statements, risk management and internal control system for the Year.

Remuneration Committee

The Remuneration Committee was established on 18 February 2013 with written terms of reference in compliance with the Code Provisions. The primary duties of the Remuneration Committee are to review and determine the policy and the terms of remuneration packages, bonuses and other compensations payable to the Directors and senior management of the Group, to assess the performance of executive Directors and to consider and make recommendation on the terms of their service contracts. During the Year, the members of the Remuneration Committee were Mr. Xin Junhe, Mr. Tong Hin Wor, Mr. Leung Lin Cheong and Mr. Wang Jinlong. Mr. Xin Junhe is the chairman of the Remuneration Committee.

During the Year, two meetings of the Remuneration Committee was held on 30 March 2021 and 21 April 2021 to discuss, among others, the level of salaries of each of the executive Directors, non-executive Directors, independent non-executive Directors and the senior management of the Company, to consider and recommend to the Board their remuneration proposals with reference to the corporate goals and objectives of the Board. All members of the Remuneration Committee attended the meetings.

Pursuant to Code Provision B.1.2(c) (now rearranged as E.1.2(c)), the Remuneration Committee made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Pursuant to Code Provision B.1.5 (now rearranged as E.1.5), the emolument of the members of the senior management (excluding the Directors) paid by the Group by band for the Year is set out below:

Emolument band	**Number of individuals**
Nil to HK$1,000,000	1
HK$1,000,001 – HK$2,000,000	1

Details of Directors' emoluments are set out in note 9 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 18 February 2013 with written terms of reference revised on 4 January 2019 and in compliance with the Code Provisions. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the planning of the Board succession. During the Year, the members of the Nomination Committee were Mr. Wang Jinlong, Mr. Xin Junhe, Mr. Tong Hin Wor and Mr. Leung Lin Cheong. Mr. Wang Jinlong is the chairman of the Nomination Committee.

During the Year, two meetings of the Nomination Committee was held on 30 March 2021 and 21 April 2021 to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to assess the independence of independent non-executive Directors, to discuss the re-election of Directors in the forthcoming annual general meeting according to the articles of association of the Company. All members of the Nomination Committee attended the meeting.

The Board has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measureable objectives set out in the policy.

The Company recognises and seizes the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Sanction Oversight Committee

The Sanction Oversight Committee was established on 1 November 2012 with written terms of reference. The primary duties of the Sanction Oversight Committee are to assess sanctions risk that the Group may face and to determine whether the Group should embark on business opportunities with any sanctioned countries. The members of the Sanction Oversight Committee are Mr. Leung Lin Cheong, Mr. Wang Jinlong and Mr. Xin Junhe. Mr. Leung Lin Cheong is the chairman of the Sanction Oversight Committee.

During the Year, two meetings of the Sanction Oversight Committee were held on 30 March 2021 and 27 August 2021 respectively to review and discuss issues according to the working plan prepared by the Company. All members of the Sanction Oversight Committee attended the meetings.

EXTERNAL AUDITORS' REMUNERATION

The amount of fees charged by the Company's external auditors, BDO Limited, in respect of their audit and non-audit services for the year ended 31 December 2021 are analysed below:

	HK$'000
Audit services	2,100
Non-audit services	
Agreed-upon procedures	500
Others	230

THE COMPANY SECRETARY

The Company engaged an external service provider, Mr. Tung Tat Chiu, Michael as its company secretary. Mr. Chan Kwok Yuen Elvis, our Chief Financial Officer, is the key contact person with whom Mr. Tung can contact. During the Year, Mr. Tung has received relevant professional trainings of not less than 15 hours to update his skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Group has complied with the principle of Code Provision C.2 (now rearranged as D.2) by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk management system

The Group adopts a risk management system which manages the risks associated with its business and operations. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation*: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor of the residual risks.

Based on the risk assessments conducted in 2021, no significant risk was identified.

Internal control system

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment*: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment*: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities*: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring*: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2021, no significant control deficiency was identified.

Internal auditors

The Company currently does not have an internal audit function. During the Year, the Company has engaged an external risk management and internal control review consultant (the "**Consultant**") to conduct a review of the Group's risk management and internal control covering the period from 1 January 2021 to 31 December 2021. Such review is conducted semi-annually. The scope of the Consultant's review was previously determined and approved by the Board and covered risk management process, procurement and trade payable process, fixed assets management, as well as compliance process in relation to continuing obligation, discloseable transaction, connected transaction, disclosure of financial information and disclosure of inside information. The Consultant has reported findings and areas for improvement to the Board. The Board is of the view that there has been no material risk management and internal control deficiency noted. All recommendations given by the Consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

Effectiveness of the risk management and internal control systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted semi-annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by the Consultant and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Anti-corruption

The Group has zero tolerance for bribery and corruption. The Group's ethical standards and requirements are clearly set out in the employee handbook, which requires all business activities to be operated with high level of integrity. Regardless of seniority and employment nature, all employees are required to fully comply with the following anti-bribery and anti-corruption legislation:

- The Anti-Unfair Competition Law of the PRC
- The Criminal Law of the PRC

Employees are prohibited from committing theft, fraud or dishonesty in connection with the Group properties, or committing a criminal offence outside the Group, which brings adverse publicity to the Group and/or affects the Group's reputation. The policy on declaration and handling of conflict of interest requires employees in key positions to submit an annual declaration of interests in work situations.

Whistleblowing System

The Group's whistleblowing policy states that whistleblowers can make confidential reports to the Board directly upon any suspicious activities, either in person or email to hr@petro-king.cn. All reports and the identities of whistle-blowers would be treated in the strictest confidence. In the event an employee is found to have committed any act of misconduct, the Group reserves the rights to take disciplinary actions including termination of employment.

The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Year.

SHAREHOLDER'S RIGHTS

How Shareholders can convene an extraordinary general meeting

Pursuant to Article 49 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such extraordinary general meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting for a day not more than twenty-eight days after the date on which the notice convening the meeting is given, the requisitionist(s) himself (themselves), or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner but any meeting so convened shall not be held after the expiration of three months from the date of deposit of requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Suite 1603A, 16/F, Tower 1, Silvercord, 30 Canton Road, Kowloon, Hong Kong by post for the attention of the Board.

The procedures and sufficient contact details for putting forward proposals at Shareholders' meetings

The Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meetings. Proposals shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out in paragraph headed "How Shareholders can convene an extraordinary general meeting" above.

Procedures for proposing a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Announcements and Circulars section of the Company's website at http://www.petro-king.cn.

INVESTOR RELATIONS

The Company has adopted the shareholder communication policy and considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established various and a wide range of communication channels with the Shareholders. These include shareholders' general meetings, annual results and interim results, annual reports and interim reports, announcements and circulars and results announcement. In addition, the Company updates its website from time to time to keep the Shareholders updated of the latest information of Company's recent development. The Company endeavours to maintain an ongoing dialogue with the Shareholders. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet with the Shareholders and answer their enquiries. For the year ended 31 December 2021, the Company has strictly implemented the shareholders communication policy in accordance with relevant requirements by conducting multi-channel communications with the Shareholders and investors through various methods, including the issuance of communication documents (such as announcements and regular reports), updating the Company website, and convening results announcements, investors' conferences and shareholders' meetings, etc. In view of the above, the Company has reviewed the implementation and effectiveness of the shareholders communication policy, and considered the policy effective.

The Company has uploaded its memorandum and articles of association on the websites of the Stock Exchange (http://www.hkexnews.hk/) and of the Company (http://www.petro-king.cn). There is no significant change in the Company's constitutional documents during the Year.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Save as disclosed herein, the Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The biographical information of the Directors and senior management being in office as at 31 December 2021 are as follows:

DIRECTORS

Executive Directors

Mr. Zhao Jindong (趙錦棟) ("Mr. Zhao"), aged 58, is our executive Director. He joined our Group in 2003 as a vice general manager. He was appointed as an executive Director on 24 December 2012 and is also a director of certain subsidiaries of the Group. Mr. Zhao has over 30 years of experience in drilling and completion services of the oil and gas industry. Before joining our Group, Mr. Zhao was the senior drilling and completion engineer at 康菲石油公司 (ConocoPhillips Oil Company) from October 2002 to December 2003. He was employed by ConocoPhillips China Inc. from October 1997 to October 2002 where he was recognised for his exemplary performance and contributions to the operations in Xinjiang. Mr. Zhao started his career as an engineer trainee at 地質礦產部石油鑽井研究所 (Drilling Institute of Minority of Geology*) in December 1983. He continued his employment with the Drilling Institute of Minority of Geology where he became a senior engineer and an assistant manager of the drilling development department. Mr. Zhao graduated from 中國地質大學 (China Geology University*) with a diploma in drilling engineering in 1988. Mr. Zhao has been appointed as the CEO of the Group on 25 April 2016. On 1 December 2016, Mr. Zhao has resigned as the CEO of the Company due to health reason, but remained as an executive Director.

Mr. Huang Yu (黃瑜) ("Mr. Huang"), aged 58, joined the Group as our vice president in December 2018, and has been appointed as the CEO since May 2019. He was later appointed as an executive director in April 2021. Mr. Huang is responsible for the overall management of the Group's business operations. Mr. Huang has over 30 years of experience in the oilfield services industry. Mr. Huang graduated from Southwest Petroleum University in July 1989 with a master's degree and obtained an Executive Master of Business Administration degree from the School of Economics and Management, Tsinghua University in 2011. Mr. Huang holds the professional title of senior engineer in petroleum engineering and professor-level senior economist, and has accumulated rich experience in international cooperation in the oil and gas fields. Before joining the Group, Mr. Huang served as the chief executive officer of Polytec Resources Ltd. from December 2007 to December 2013. Mr. Huang acted as the vice president and chief economist of China National Oil and Gas Exploration and Development Company from June 2000 to October 2007, and was responsible for company planning, business development and mergers and acquisitions business. He served as the manager of planning and operation department of China National Oil and Gas Exploration and Development Company from May 1999 to May 2000. From January 1997 to May 1999, Mr. Huang worked as the chief economist and manager of planning and finance department of CNPC International (Nile) Ltd.. From July 1989 to December 1996, Mr. Huang worked in Zhongyuan Oilfield and served as the senior reservoir engineer of the Development Research Institute of Zhongyuan Petroleum Exploration Bureau and the director of the International Cooperation Department of Zhongyuan Petroleum Exploration Bureau. Mr. Huang was the non-executive director of China Oil HBP Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002554), from December 2016 to December 2019.

Non-executive Directors

Mr. Wang Jinlong (王金龍) ("Mr. Wang"), aged 56, is our chairman and non-executive Director. He was appointed as an executive Director on 31 December 2007 and redesignated as a non-executive Director on 1 January 2022. Mr Wang is also a director of certain subsidiaries of the Group. Mr. Wang is primarily responsible for the long term development strategy of the Group. He has over 30 years of experience in the oil and gas industry. Mr. Wang founded our Group in April 2002 as the executive director and general manager of Petro-king Oilfield Technology Ltd. Prior to that, he worked at 菲利普斯中國有限公司 (Phillips China Inc.) (later known as 康菲石油中國有限公司 (ConocoPhillips China Inc.)) between 1994 and 2003 where he had served as a senior drilling/production engineer. Mr. Wang graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering degree majoring in drilling engineering in July 1986. Mr. Wang obtained a Mid-level Professional Qualification as an engineer in April 1993 issued by 中華人民共和國地質礦產部 (the PRC Ministry of Geology and Mineral Resources*), which was later reformed and incorporated into 中華人民共和國國土資源部 (the PRC Ministry of Land and Resources*), and a qualification of senior engineer issued by CNOOC in March 2002. Mr. Wang has been recognised for his contributions to the development of the technology of geology and was awarded certificates for such contributions by the PRC Ministry of Geology and Mineral Resources in December 1996. Under the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Wang was performing both the roles of chairman and chief executive officer (the "**CEO**") of the Group since the listing of the Company until 25 April 2016. Taking into account Mr. Wang's strong expertise in the oil and gas industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Wang enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. However, in order to maintain good corporate governance and fully comply with the Code Provisions, Mr. Wang has resigned as the CEO on 25 April 2016.

Mr. Wong Shiu Kee（黃紹基）("Mr. Wong"), aged 58, was appointed on 21 April 2021 as our non-executive Director. He was the executive director of Termbray Industries International (Holdings) Limited (stock code: 0093) from 18 January 2001 to 8 April 2021 and the director of Guangdong Ellington Electronics Technology Company Limited from December 2007 to 29 April 2021, which is listed on the Shanghai Stock Exchange (stock code: 603328). Mr. Wong has over 20 years of experience in financial management. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary and Chartered Governance Professional designated as ACG (CS,CGP).

Independent Non-executive Directors

Mr. Xin Junhe (辛俊和) ("Mr. Xin"), aged 65, is our independent non-executive Director. He was appointed as an independent non-executive Director on 27 March 2017. He is also the chairman of our remuneration committee and a member of each of our audit committee, nomination committee and sanction oversight committee. He has over 40 years of experience in petroleum engineering services of the oil and gas industry. Mr. Xin graduated from 西南石油學院 (Southwest Petroleum Institute*) with a Bachelor of Engineering degree majoring in drilling engineering in 1982. After graduating from college, Mr. Xin joined 玉門石油管理局 (Yumen Petroleum Administrative Bureau), which is under the management of China National Petroleum Corporation ("**CNPC**"). He has worked for CNPC all his career and retired in December 2016 as the Deputy Chief Engineer of 中國石油海外勘探開發公司 (China National Oil and Gas Exploration and Development Company*). He has outstanding achievement throughout his career, has won first class National Scientific and Technological Progress Award, and has been receiving special government allowance from the State Council of the People's Republic of China. Mr. Xin has been appointed as a director of many projects of CNPC and accumulated rich experience.

Mr. Tong Hin Wor (湯顯和) ("Mr. Tong"), aged 76, is our independent non-executive Director. He was appointed as an independent non-executive Director on 18 February 2013. He holds a diploma in management studies from the Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. He was appointed as an independent non-executive director of Termbray Industries International (Holdings) Limited (Stock code: 93) in 2008 where he has also been serving as a member of the audit committee, the nomination committee and the remuneration committee. Mr. Tong was the group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004 and the group controller of Elec & Eltek (International) Limited in 1995. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993.

Mr. Leung Lin Cheong (梁年昌) ("Mr. Leung"), aged 68, is an independent non-executive director. He was appointed as an independent non-executive Director on 2 June 2017. He is also the chairman of our audit committee and sanction oversight committee, and a member of each of our nomination committee and remuneration committee. Mr. Leung has been the managing director of Union Registrars Limited since May 2014. He is currently a part-time lecturer of the HKU SPACE for the HKCGI CGQP Examination Preparatory course Risk Management module. He was also a part-time tutor for the Master of Corporate Governance of The Open University of Hong Kong (now renamed as Hong Kong Metropolitan University) from 2016 to 2020. Mr. Leung was an independent non-executive director of Casablanca Group Limited (stock code: 2223) from October 2012 to May 2015 and an independent non-executive director and chairman of audit committee of Guangzhou Automobile Group Co., Ltd. (listed on both The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, with the stock codes "2238" and "601238" respectively) from December 2013 to May 2020. He was the chief legal and compliance officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal and compliance officer and company secretary of Shanghai Industrial Holdings Limited (stock code: 0363). He obtained a master's degree in business administration jointly from Brunel University and Henley Management College and a master's degree in Laws from University of London in 1995 and 2006, respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants, The Chartered Governance Institute, and The Hong Kong Chartered Governance Institute respectively, and a founding member of The Hong Kong Independent Non-Executive Director Association.

SENIOR MANAGEMENT

Mr. Chan Kwok Yuen Elvis (陳國源) ("Mr. Chan"), aged 49, is the chief financial officer (the "**CFO**") of the Company. He joined the Group in July 2018 and is responsible for the accounting, financial, and investor relation affairs of the Group. He has over 24 years of experience in the field of accounting and finance. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Chan obtained a bachelor's degree in commerce from Queen's University in Canada in 1995 and a master of science degree in corporate governance and directorship from the Hong Kong Baptist University in 2013.

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗) ("Mr. Tung"), aged 59, was appointed as the company secretary of our Company on 18 February 2013. He is the senior partner of Tung & Co., a law firm providing legal advice as to Hong Kong laws to our Group since 2007. He holds a Bachelor of Arts degree in law and accounting from The University of Manchester, the United Kingdom. He has over 30 years of experience as practising lawyer in Hong Kong. He is also a China-Appointed Attesting Officer. Mr. Tung currently serves as a joint company secretary of Jiangxi Copper Company Limited (stock code: 358), Harbin Electric Company Limited (stock code: 1133) and Qingling Motors Co. Ltd (stock code: 1122) and the sole company secretary of Quantum Thinking Limited (stock code: 8050) and NOVA Group Holdings Limited (stock code: 1360), respectively.

Mr. Tung is an external service provider engaged by us as our company secretary and Mr. Chan Kwok Yuen Elvis (陳國源), our CFO, will be the key contact person with whom Mr. Tung can contact.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)
Mr. Huang Yu (黃瑜)
(appointed on 21 April 2021)

NON-EXECUTIVE DIRECTORS

Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)
Ms. Ma Hua (馬華)
(resigned on 21 April 2021)
Mr. Wang Jinlong (王金龍)
(redesignated on 1 January 2022)
Mr. Wong Shiu Kee (黃紹基)
(appointed on 21 April 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
Mr. Xin Junhe (辛俊和)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (Chairman)
Mr. Tong Hin Wor (湯顯和)
Mr. Xin Junhe (辛俊和)

REMUNERATION COMMITTEE

Mr. Xin Junhe (辛俊和) (Chairman)
Mr. Tong Hin Wor (湯顯和)
Mr. Leung Lin Cheong (梁年昌)
Mr. Wang Jinlong (王金龍)
Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)

NOMINATION COMMITTEE

Mr. Wang Jinlong (王金龍) (Chairman)
Mr. Lee Tommy (李銘浚)
(resigned on 21 April 2021)
Mr. Xin Junhe (辛俊和)
Mr. Tong Hin Wor (湯顯和)
Mr. Leung Lin Cheong (梁年昌)

SANCTION OVERSIGHT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (Chairman)
Mr. Wang Jinlong (王金龍)
Mr. Xin Junhe (辛俊和)

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael (佟達釗)

AUTHORISED REPRESENTATIVES

Mr. Wang Jinlong (王金龍)
Mr. Tung Tat Chiu, Michael (佟達釗)

REGISTERED OFFICE IN THE BRITISH VIRGIN ISLANDS

Commerce House
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British Virgin Islands
VG1110

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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30 Canton Road,
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 705-710, Tower A, Tiley Central Plaza
No. 3 Haide Road
Nanshan District
Shenzhen
Guangdong
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BRITISH VIRGIN ISLANDS

Conyers Trust Company (BVI) Limited
Commerce House, Wickhams Cay 1
P.O. Box 3140
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British Virgin Islands
VG1110

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

China Merchants Bank
China Merchants Building, Shekou
Shenzhen 518067
China

Bank of China, Shekou sub-branch
18 Taizi Road, Shekou
Shenzhen 518067
China

AUDITOR

BDO Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
Hong Kong

LEGAL ADVISERS (HONG KONG LAW)

Tung & Co.

COMPANY'S WEBSITE

www.petro-king.cn

STOCK CODE

2178

Note: The above corporate information is stated in accordance with the records of the Company as at the date of this report.

REPORT OF THE DIRECTORS

The directors (the "**Directors**") of Petro-king Oilfield Services Limited (the "**Company**") hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (The "**Year"** or **"2021"**).

THE COMPANY AND INITIAL PUBLIC OFFERING

The Company was incorporated in the British Virgin Islands with limited liability on 7 September 2007. It was formerly known as "Termbray Oilfield Services (BVI) Ltd. (添利油田服務(英屬維爾京群島)有限公司)". Its name was changed to "Termbray Petro-king Oilfield Services (BVI) Limited (添利百勤油田服務(英屬維爾京群島)有限公司)" on 13 March 2008 and was further changed to "Termbray Petro-king Oilfield Services Limited (添利百勤油田服務有限公司)" on 9 August 2012 and was further changed to "Petro-king Oilfield Services Limited (百勤油田服務有限公司)" on 30 May 2014. As fully explained in the section headed "History and Development" in the Company's prospectus dated 22 February 2013, the Company has since its incorporation become the ultimate holding vehicle of the Group's various arms of business. The Company completed its initial public offering and the shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 March 2013.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. Further discussion and analysis of these activities and a business review as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 7 to 19 of this report. This discussion forms part of this report of the Directors.

An analysis of the Group's performance for the Year by segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 81 to 83.

The Directors do not recommend the payment of a final dividend for the Year. No dividends were declared or paid in respect of the Year.

SUMMARY FINANCIAL INFORMATION

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

BORROWINGS

Details of the bank and other borrowings of the Group as at 31 December 2021 are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company (the "**Shareholders**").

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the BVI Business Companies Act 2004 (and any amendments thereto).

EQUITY LINKED AGREEMENTS

Share options granted to Directors and selected employees

Details of the share options of the Company (the "**Share Options**") granted in previous years and the Year are set out in note 30 to the consolidated financial statements and "Share Option Scheme" section contained in this report of the Directors. No Share Option was granted during the Year. For the Share Options granted in previous years, no Share Option was exercised and no share was issued during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the Year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 75.4% of the Group's total revenue. The amount of revenue attributable to the Group's largest customer represented approximately 35.9% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 42.0% of the Group's total purchases. The amount of purchases attributable to the Group's largest supplier represented approximately 14.5% of the Group's total purchases.

None of the Directors nor any of their close associates nor any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

Executive Directors:

Mr. Zhao Jindong
Mr. Huang Yu (appointed on 21 April 2021)

Non-executive Directors:

Mr. Lee Tommy (resigned on 21 April 2021)
Ms. Ma Hua (resigned on 21 April 2021)
Mr. Wang Jinlong (redesignated on 1 January 2022)
Mr. Wong Shiu Kee (appointed on 21 April 2021)

Independent Non-executive Directors:

Mr. Leung Lin Cheong
Mr. Tong Hin Wor
Mr. Xin Junhe

Mr. Wang Jinlong, Mr. Xin Junhe and Mr. Leung Lin Cheong will retire at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with Article 75 of the Company's articles of association and being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from all independent non-executive Directors and the Board still considers them independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years renewable upon expiration with mutually agreed terms and conditions and terminable by not less than three months' notice in writing served by either party to the other. Each of these executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Zhao Jindong	HK$135,000 as Director and RMB800,000 as the vice president
Mr. Huang Yu	HK$135,000 as Director and RMB607,000 as the CEO

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three years renewable upon expiration with mutually agreed terms and conditions and terminable by not less than three months' notice in writing served by either party to the other. Each of these non-executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). A non-executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The current basic annual salaries of the non-executive Directors are as follows:

Name	Amount
Mr. Wang Jinlong	HK$360,000
Mr. Wong Shiu Kee	HK$240,000

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years renewable upon expiration with mutually agreed terms and conditions and terminable by not less than three months' notice in writing served by either party to the other. The current basic annual salaries to the independent non-executive Directors under each of the letters of appointment are as follows:

Name	Amount
Mr. Leung Lin Cheong	HK$240,000
Mr. Tong Hin Wor	HK$153,000
Mr. Xin Junhe	HK$153,000

Save as disclosed above, none of the Directors has or is proposed to have any service contract or letter of appointment with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed herein, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

EMOLUMENT POLICY

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to the Group.

The Company has also adopted a share option scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

Our Company

Name of Director	Capacity/ Nature of interest	Number of shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Wang Jinlong	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
Mr. Zhao Jindong	Beneficial owner *(Note 3)*	8,676,833 (L)	0.50%
Mr. Huang Yu	Beneficial owner *(Note 4)*	17,954,200 (L)	1.04%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. Mr. Wang Jinlong holds approximately 45.24% of the issued share capital in King Shine Group Limited ("**King Shine**") and King Shine directly holds approximately 28.32% of the total number of issued shares of the Company. Therefore, Mr. Wang Jinlong is taken to be interested in the number of shares of the Company held by King Shine pursuant to Part XV of the SFO.

3. 2,500,000 share options were conditionally granted to Mr. Zhao Jindong on 29 May 2015 and became unconditional on 7 September 2015 and were adjusted to 2,678,833 share options after the completion of the rights issue of the Company on 8 July 2016. 6,000,000 share options were further granted to Mr. Zhao Jindong on 26 October 2016. Therefore under Part XV of the SFO, Mr. Zhao Jindong is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted.

4. 17,000,000 share options were granted to Mr. Huang Yu on 31 May 2019. Therefore under Part XV of the SFO, Mr. Huang Yu is taken to be interested in the underlying shares of the Company that he is entitled to subscribe for subject to the exercise of the share options granted. Apart from the grant of share options, 954,200 shares were also beneficially owned by Mr. Huang Yu.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following persons (other than a Director or chief executive of our Company) had an interest or a short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares interested *(Note 1)*	Approximate percentage of the issued share capital of the Company
King Shine	Beneficial owner	488,920,138 (L)	28.32%
Ms. Zhou Xiaojun	Interest of spouse *(Note 5)*	488,920,138 (L)	28.32%
Mr. Lee Lap	Founder of a discretionary trust *(Note 2 & 3)*	826,189,898 (L)	47.85%
HSBC International Trustee Limited ("**HKIT**")	Trustee *(Note 2 & 3)*	826,189,898 (L)	47.85%
Lee & Leung (B.V.I.) Limited	Beneficial owner *(Note 3)* Interest in a controlled corporation *(Note 2 & 3)*	335,737,745 (L) 490,452,153 (L)	19.44% 28.40%
Termbray Industries International (Holdings) Limited ("**Termbray Industries**")	Beneficial owner *(Note 3)* Interest in a controlled corporation *(Note 2)*	1,532,015 (L) 488,920,138 (L)	0.09% 28.32%
aEasy Credit Investment Limited	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	28.32%
Zero Finance Hong Kong Limited ("**Zero Finance**")	Person having a security interest in shares *(Note 2)*	488,920,138 (L)	28.32%
TCL Corporation	Interest in a controlled corporation *(Note 4)*	136,303,475 (L)	7.89%
T.C.L. Industries Holdings (H.K.) Limited ("**TCL HK**")	Interest in a controlled corporation *(Note 4)*	136,303,475 (L)	7.89%
Exceltop Holdings Limited	Interest in a controlled corporation *(Note 4)*	136,303,475 (L)	7.89%
Jade Max Holdings Limited	Interest in a controlled corporation *(Note 4)*	136,303,475 (L)	7.89%
Jade Win Investment Limited ("**Jade Win**")	Beneficial owner	136,303,475 (L)	7.89%
UBS Group AG	Interest in a controlled corporation *(Note 6)*	91,121,334 (L)	5.28%
UBS AG	Beneficial owner *(Note 7)* Person having a security interest in shares *(Note 7)*	670,857(L) 670,857(S) 70,093,285(L)	0.05% 0.05% 5.68%
Greenwoods Asset Management Hong Kong Limited	Investment manager *(Note 8)*	91,121,270 (L)	5.28%
Invest Partner Group Limited	Interest in a controlled corporation *(Note 8)*	91,121,270 (L)	5.28%
Mr. Jiang Jinzhi	Interest in a controlled corporation *(Note 9)*	62,824,713 (L)	5.08%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. On 26 April 2018, King Shine has charged the 488,920,138 shares of the Company held by it to Zero Finance (the "**Share Charge**"). Zero Finance is wholly-owned by aEasy Credit Investment Limited, which is wholly-owned by Termbray Wealth Investment Limited ("**Termbray Wealth**"), which is wholly-owned by Termbray Finance Holdings Limited ("**Termbray Finance**"), which is wholly-owned by Termbray Electronics (B.V.I.) Limited ("**Termbray Electronics**"), which is wholly-owned by Termbray Industries (together, the "**Termbray Group**"), which is held by Lee & Leung (B.V.I.) Limited as to approximately 46.96%, which is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Therefore, HKIT, Lee & Leung Family Investment Limited, Lee & Leung (B.V.I.) Limited, Termbray Industries, Termbray Electronics, Termbray Finance, Termbray Wealth and aEasy Credit Investment Limited are taken to be interested in the number of Shares in which Zero Finance is interested for the purpose of the SFO. In reliance on the wholly-owned group exemption pursuant to Sec 313(10) of the SFO, Lee & Leung Family Investment Limited, Termbray Electronics, Termbray Finance and Termbray Wealth will no longer disclose their interests in the Company. Lee & Leung Family Investment Limited's and Termbray Group's interests in the Company will be disclosed in filings made by HKIT and Termbray Industries respectively.

3. Lee & Leung (B.V.I.) Limited directly holds approximately 19.44% of the total number of issued shares of the Company. It also holds approximately 46.96% of the issued share capital in Termbray Industries, where Termbray Industries directly holds 1,532,015 shares of the Company and indirectly holds a collateral of 488,920,138 shares of the Company through the Share Charge. Therefore, Lee & Leung (B.V.I.) Limited is taken to be interested in the number of shares of the Company held by Termbray Industries pursuant to Part XV of the SFO. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HKIT as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. Therefore, Mr. Lee Lap, HKIT and Lee & Leung Family Investment Limited are taken to be interested in the number of shares of the Company in which Lee & Leung (B.V.I.) Limited is interested for the purpose of the SFO.

4. TCL Corporation directly holds 100% of the issued share capital of TCL HK, which in turn holds 100% of the issued share capital of Exceltop Holdings Limited, which in turn holds 100% of the issued share capital of Jade Max Holdings Limited, which in turn holds 100% of the issued share capital of Jade Win. Therefore, TCL Corporation, TCL HK, Exceltop Holdings Limited and Jade Max Holdings Limited are taken to be interested in the number of shares of the Company held by Jade Win pursuant to Part XV of the SFO.

5. Ms. Zhou Xiaojun is the spouse of Mr. Wang Jinlong. Therefore, Ms. Zhou Xiaojun is deemed to be interested in the shares of the Company in which Mr. Wang Jinlong is interested for the purpose of the SFO.

6. Information is extracted from the corporate substantial shareholder notice filed by UBS Group AG on 2 June 2021.

7. Information is extracted from the corporate substantial shareholder notice filed by UBS AG on 9 February 2015.

8. Information is extracted from the corporate substantial shareholder notices filed by Greenwoods Asset Management Hong Kong Limited and Invest Partner Group Limited on 6 January 2021.

9. Information is extracted from the individual substantial shareholder notice filed by Mr. Jiang Jinzhi on 5 February 2015.

Save as disclosed above, as at 31 December 2021, the Directors are not aware that there is any party (not being a Director or chief executive of our Company) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO ARE DIRECTORS/EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, Mr. Wang Jinlong and Mr. Zhao Jindong are directors of King Shine, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. No share option was granted for the financial year ended 31 December 2021, under the Share Option Scheme. Set out below are details of the movements of share options during the financial year ended 31 December 2021:

Grantees	Date of grant	Exercise price (HK$)	Closing price immediately before the date of grant	Options outstanding as at 1 January 2021	Options granted since 1 January 2021	Options exercised since 1 January 2021	Options lapsed/ cancelled since 1 January 2021	Options outstanding as at 31 December 2021
Directors, chief executives and substantial shareholders								
Zhao Jindong	29 May 2015	1.2132 *(adjusted)*	1.28	2,678,833	–	– *(Note 1)*	–	2,678,833
	26 October 2016	0.529	0.520	6,000,000	–	– *(Note 2)*	–	6,000,000
Huang Yu	31 May 2019	0.1922	0.183	17,000,000	–	– *(Note 3)*	–	17,000,000
Employees and senior managements	29 May 2015	1.2132 *(adjusted)*	1.28	18,644,670	–	– *(Note 1)*	3,321,751	15,322,919
	26 October 2016	0.529	0.520	23,500,000	–	– *(Note 2)*	3,100,000	20,400,000
	16 August 2018	0.326	0.32	5,000,000	–	– *(Note 4)*	–	5,000,000
Others	29 May 2015	1.2132 *(adjusted)*	1.28	107,153	–	– *(Note 1)*	–	107,153
Total				72,930,656	–	–	6,421,751	66,508,905

Notes:

1. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 29 May 2016 to 28 May 2022, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 29 May 2017 to 28 May 2022, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the third anniversary of the date of grant and exercisable from 29 May 2018 to 28 May 2022, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the fourth anniversary of the date of grant and exercisable from 29 May 2019 to 28 May 2022, both dates inclusive.

   The remaining of the share options have been vested on the date falling on the fifth anniversary of the date of grant and exercisable from 29 May 2020 to 28 May 2022, both dates inclusive.

2. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 26 October 2017 to 25 October 2023, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 26 October 2018 to 25 October 2023, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the third anniversary of the date of grant and exercisable from 26 October 2019 to 25 October 2023, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the fourth anniversary of the date of grant and exercisable from 26 October 2020 to 25 October 2023, both dates inclusive.

   The remaining of the share options have been vested on the date falling on the fifth anniversary of the date of grant and exercisable from 26 October 2021 to 25 October 2023, both dates inclusive.

3. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 31 May 2020 to 30 May 2026, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 31 May 2021 to 30 May 2026, both dates inclusive.

   Another 20% of the share options shall be vested on the date falling on the third anniversary of the date of grant and exercisable from 31 May 2022 to 30 May 2026, both dates inclusive.

   Another 20% of the share options shall be vested on the date falling on the fourth anniversary of the date of grant and exercisable from 31 May 2023 to 30 May 2026, both dates inclusive.

   The remaining of the share options shall be vested on the date falling on the fifth anniversary of the date of grant and exercisable from 31 May 2024 to 30 May 2026, both dates inclusive.

4. 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 16 August 2019 to 15 August 2025, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the second anniversary of the date of grant and exercisable from 16 August 2020 to 15 August 2025, both dates inclusive.

   Another 20% of the share options have been vested on the date falling on the third anniversary of the date of grant and exercisable from 16 August 2021 to 15 August 2025, both dates inclusive.

   Another 20% of the share options shall be vested on the date falling on the fourth anniversary of the date of grant and exercisable from 16 August 2022 to 15 August 2025, both dates inclusive.

   The remaining of the share options shall be vested on the date falling on the fifth anniversary of the date of grant and exercisable from 16 August 2023 to 15 August 2025, both dates inclusive.

(1) Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

(2) Eligible participants

The Board may, at its discretion, invite:

(i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;

(iv) any provider of goods and/or services to the Group; or

(v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up the share options.

In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(3) Total number of shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 123,473,129 shares, being 10% of the total number of Shares in issue as at the date of passing the resolution approving the refreshment of the scheme mandate limit of the Share Options Scheme and approximately 7.15% of the issued Shares as at the date of this report.

(4) The maximum entitlement of each eligible participant

The total number of shares issued and to be issued upon the exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

(5) Option period

A share option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant.

(6) Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the share option, there are neither any performance targets that need to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of share options impose any conditions, restrictions or limitations in relation to the share option as it may at its absolute discretion think fit.

(7) Payment on acceptance of the option

Offer of a share option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

(8) Basis of determining the exercise price

The exercise price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which a share option is granted, and (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which a share option is granted.

(9) The remaining life of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further share options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The Directors consider that the values of the share options are subject to a number of assumptions and the limitation of the models.

Details of Share Option Scheme are stated in note 30 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, none of the Directors or any of their respective close associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company comprises three independent non-executive Directors, namely Mr. Leung Lin Cheong, Mr. Tong Hin Wor and Mr. Xin Junhe. The principal duties of the Audit Committee are to review and approve our Group's financial reporting process, risk management and internal control system.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the Year.

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

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

CONNECTED TRANSACTIONS

Extension of payment by PK Huizhou

On 31 October 2019, Petro-king Holding Limited ("**Petro-king Holding**"), a wholly-owned subsidiary of the Company, and Petro-king Huizhou, a wholly-owned subsidiary of the Company at that time, entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which Petro-king Holding agreed to sell, and 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) ("**PK Huizhou**") agreed to purchase, 100% equity interest in 百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) ("**Petro-king Technology**") held by Petro-king Holding for a consideration of RMB9,300,943, which shall be settled in cash on or before 31 December 2021 (the "**Equity Transfer**"). The Equity Transfer was completed on 6 November 2019.

During the period between December 2019 and June 2021, Petro-king Huizhou conducted two rounds of equity fundraising exercises and the Group disposed of some of its equity interest in Petro-king Huizhou, details of which are set out in the announcements of the Company dated 23 December 2019, 14 January 2020 and 15 November 2020 respectively and the circular of the Company dated 12 January 2021. As a result, Petro-king Huizhou ceased to be a subsidiary of the Company since 23 June 2021, and as at 31 December 2021, the Group's equity interest in Petro-king Huizhou was approximately 38.60%.

On 30 December 2021, a balance of RMB 8,000,000 remained unsettled under the Equity Transfer Agreement (the "**Remaining Consideration**"), Petro-king Holding and Petro-king Huizhou entered into a supplemental agreement (the "**Supplemental Agreement**"), pursuant to which the parties agreed to extend the payment date of the Remaining Consideration from 31 December 2021 to 31 December 2022 (the "**Extension**"). The interest rate applicable to the Remaining Consideration is 8% per annum, to be accrued commencing from 1 January 2022. Further details of the Extension were set out in the announcement of the Company dated 31 December 2021.

The Extension constitutes a provision of financial assistance by Petro-king Holding to Petro-king Huizhou (a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules) and a connected transaction of the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the amount of such financial assistance are more than 5% but all of them are less than 25% and the total value of the financial assistance is less than HK$10,000,000, the transaction contemplated under the Supplement Agreement also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

Save as disclosed above, the Company has not entered into any non-exempt one-off connected transactions for the year ended 31 December 2021.

RELATED PARTY TRANSACTIONS

Save as disclosed above, none of the related party transactions of the Company constitutes connected transactions or continuing connected transactions as defined under the Listing Rules. Details of significant related party transactions entered into by the Group during the year ended 31 December 2021 are set out in note 36 to the consolidated financial statements.

DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

Advance to entity and financial assistance and guarantees to affiliated companies of the Company

On 13 November 2020, the Group entered into certain agreements with various parties in relation to (i) the capital contribution of RMB41 million (equivalent to approximately HK$49 million) made by various parties to PK Huizhou, (ii) the disposal of 14.6199% equity interest in PK Huizhou to Mr. Wang Jinlong ("**Mr. Wang**") and his associates and (iii) the disposal of the entire equity interest in Star Petrotech Pte. Ltd. ("**Star Petrotech**") to PK Huizhou (collectively referred to as the "**PK Huizhou Transactions**"). In addition, the Group has entered into two loan facility agreements by granting two revolving loan facilities with credit limit of RMB15,000,000 and US$3,500,000 to PK Huizhou and Star Petrotech, respectively (the "**Loan Facilities**"). The Loan Facilities are unsecured and bear interest at 8% per annum, and all the outstanding balances shall be repaid on or before 31 December 2022.

Upon completion of the PK Huizhou Transactions on 23 June 2021, Star Petrotech became a wholly-owned subsidiary of PK Huizhou, and the Group's equity interest in Petro-king Huizhou was reduced to approximately 38.60%. Petro-king Huizhou and its subsidiaries, including Star Petrotech, ceased to be subsidiaries of the Company, and Petro-king Huizhou will be accounted for as interest in an associate.

On 1 July 2021 and 17 December 2021, 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, has provided two corporate guarantees (the "**Guarantees**") in favour of a commercial bank in the PRC for granting loans (the "**Bank Loans**") to PK Huizhou. The Guarantees amount would be limited to its proportion of shareholding in PK Huizhou. In addition, the Group is entitled to receive from PK Huizhou a guarantee fee of 1.0% per annum of the outstanding principal amount of the Bank Loans multiplied by the then shareholding interest in PK Huizhou held by Petro-king Shenzhen.

The loans granted to PK Huizhou and Star Petrotech under the Loan Facilities constituted advance to entities since the completion of the PK Huizhou Transactions on 23 June 2021. The Guarantees constituted provisions of financial assistance by the Group to a commonly held entity at that time, and therefore connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the Guarantees were entered into on normal commercial terms or better, and were provided by the Group in proportion to the equity interest held by the Group in Petro-king Huizhou on several but not joint basis, the Guarantees were fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules. Pursuant to Rules 13.13 and 13.16 of the Listing Rules, a general disclosure obligation arises where the amount of advances by the Group to an entity and the financial assistance to affiliated companies of the Group exceeds 8% under the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). However, due to inadvertent oversight, the Company failed to comply with the notification and announcement requirements under Chapter 14 of the Listing Rules in a timely manner at the relevant time of provision of the Guarantees.

As at 31 December 2021, the outstanding balances of the loans granted to PK Huizhou and Star Petrotech under the Loan Facilities were approximately RMB14,200,000 (equivalent to approximately HK$17,368,000) and approximately US$3,217,000 (equivalent to approximately HK$25,086,000), respectively.

As at 31 December 2021, the Group's exposure under the Guarantees provided to PK Huizhou was approximately RMB16,378,000 (equivalent to approximately HK$20,032,000).

As at 31 December 2021, the aggregate amount of the Group's advances to an entity and financial assistance given to and guarantees given for facilities granted to affiliated companies of the Group (as defined under Rule 13.11(2)(a) of the Listing Rules) exceeded 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). Details are set out as follows:

Name of affiliated companies	The Group's attributable interest in the affiliated companies	Loans to the affiliated companies *(HK$'000)* *(A)*	Unutilised facilities granted to the affiliated companies *(HK$'000)* *(B)*	Committed capital injection *(HK$'000)*	Guarantees for facilities granted to the affiliated companies *(HK$'000)* *(C)*	Guaranteed facilities utilised by the affiliated companies *(HK$'000)*	Aggregate amount of financial assistance and guarantees *(HK$'000)* *(A+B+C)*
PK Huizhou	38.6%	27,153 *(Note 1)*	978 *(Note 1)*	– *(Note 4)*	22,279 *(Note 2)*	20,032 *(Note 2)*	50,410
Star Petrotech *(Note 3)*		25,086 *(Note 1)*	2,207 *(Note 1)*	– *(Note 4)*	–	–	27,293
Total		52,239	3,185	–	22,279	20,032	77,703

Notes:

(1) The loans provided to PK Huizhou and Star Petrotech were to facilitate their continued operation and development and for their daily working capital purpose. Such loans are (i) unsecured, (ii) bearing interest at 8% per annum, and (iii) due in December 2022. For further details, please refer to the announcements of the Company dated 15 November 2020 and 30 December 2021 and the circular of the Company dated 12 January 2021.

(2) The Guarantees were given by the Group on a several and proportional basis to secure, among others, certain banking facilities granted to PK Huizhou which are, (i) secured by certain personal and corporate guarantees and certain buildings of PK Huizhou; (ii) bearing interest at a range of 5.3% to 6.9% per annum, and (iii) expiring during the period from April 2023 to December 2023.

(3) Star Petrotech is a direct wholly-owned subsidiary of PK Huizhou.

(4) There was no committed capital injection by the Group to its affiliated companies.

A combined statement of financial position of the affiliated companies as at 31 December 2021 is set out below:

	HK$'000
Current assets	180,334
Non-current assets	195,575
Current liabilities	(152,048)
Non-current liabilities	(50,009)
Net assets	173,852
Registered capital	119,689
Reserves	54,163
Total equity	173,852

As at 31 December 2021, the consolidated attributable interest of the Group in these affiliated companies amounted to approximately HK$67,250,000.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 42 to 52.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules up to the date of this report.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

A report on the environmental, social and corporate responsibility adopted by the Company is set out on pages 20 to 41.

COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed in the paragraph headed "Disclosures under Rules 13.20 to 13.22 of the Listing Rules" in the Report of the Directors in this annual report, the Group has strictly complied with the relevant laws and regulations and as far as the Board and the management of the Group are aware, there was no material breach of laws and regulations by the Group during the Year.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Details of the events after the date of the statement of financial position are set out in note 42 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged appropriate liability coverage, for the Directors to insure against any losses and liabilities incurred by Directors for the Year.

AUDITOR

The consolidated financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers has resigned as the auditor of the Company on 4 December 2020 and BDO Limited has been appointed as the auditor of the Company on 31 December 2020. There has been no other change of auditor in the last three years.

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

Hong Kong, 30 March 2022

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To the Shareholders of Petro-King Oilfield Services Limited
(incorporated in British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Petro-king Oilfield Services Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 81 to 208, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the date, the Group had total current bank and other borrowings amounted to 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of non-financial assets

Refer to note 4.8, note 5, note 16, note 17, note 18 to the consolidated financial statements.

As at 31 December 2021, the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets were approximately HK$157,586,000, HK$85,656,000 and HK$1,683,000, respectively.

For the purpose of impairment testing, non-financial assets are allocated to their respective cash-generating units ("**CGUs**"). Those CGUs are tested for impairment when impairment indicators existed at the end of reporting period.

Based on the impairment test, management concluded that there was impairment loss on property, plant and equipment of approximately HK$15,318,000 and intangible assets of approximately HK$9,800,000 recognised during the year.

Management performed impairment test in respect of these non-financial assets with assistance of independent professional valuer. The preparation of the recoverable amounts involved the use of significant management judgements with respect to the underlying assumptions.

We focused on this area due to the size of the non-financial assets and the material management judgements and estimates used to perform the impairment test.

Our response:

Our key procedures in relation to management's impairment test of non-financial assets included:

- Assessing the valuation methodology used in respect of the assessment of the recoverable amounts;
- Assessing the reasonableness of the underlying key assumptions used;
- Evaluating the appropriateness of key input data used in the assessment of the recoverable amounts;
- Involving an auditor's expert to assist our evaluation on the valuation methodology adopted and the reasonableness of key assumptions; and
- Evaluating the competence, capabilities and objectivity of the management's expert and auditor's expert.

Impairment of trade receivables and contract assets

Refer to note 4.9, note 5, note 21(a) and note 22 to the consolidated financial statements.

As at 31 December 2021, the Group had gross trade receivables and contract assets of approximately HK$203,700,000 and HK$24,703,000 and provision for impairment of trade receivables and contract assets of approximately HK$18,710,000 and HK$976,000, respectively.

The Group measures loss allowances for trade receivables and contract assets based on lifetime expected credit loss ("**ECL**"). Management performed the impairment assessment of trade receivables and contract assets with the assistance of independent professional valuer on the recoverability of the trade receivables and contract assets and the sufficiency of loss allowance of ECL.

Based on the impairment assessment, management concluded that a provision for impairment loss of trade receivables, net of reversal of approximately HK$9,599,000 and a reversal of impairment loss of contract assets of approximately HK$234,000 was made for the year ended 31 December 2021.

We focused on this area due to the significant judgements used to evaluate and measure the estimated amount that the Group can recover in respect of its trade receivables and contract assets.

Our response:

Our key procedures in relation to management's impairment assessment of trade receivables and contract assets included:

- Assessing whether trade receivables and contract assets had been appropriately grouped by management based on their shared credit risk characteristics;
- Assessing the appropriateness of the key input data used by management and the management's expert to develop the historical loss rates and assessing the reliability and relevance of that data;
- Testing the calculation of ECL provisions applying the ECL rates to the respective categories of the trade receivables and contract assets outstanding at the reporting date;
- Involving an auditor's expert to assist our evaluation on the appropriateness of methodology in determining the historical loss rates and the reasonableness of key assumptions; and
- Evaluating the competence, capabilities and objectivity of the management's expert and auditor's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate no. P04743

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	**2021** **HK$'000**	2020 HK$'000 (re-presented)
Continuing operations			
Revenue	*6*	**163,967**	307,993
Other income	*7*	**–**	–
Operating costs			
Material costs	*20*	**(11,447)**	(34,766)
Depreciation of property, plant and equipment	*16*	**(39,705)**	(44,346)
Depreciation of right-of-use assets	*18(b)*	**(2,010)**	(5,759)
Expenses related to short-term leases	*18(b)*	**(3,590)**	(4,047)
Employee benefit expenses	*8*	**(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	*10*	**(19,611)**	(15,539)
Net impairment loss on financial assets	*21*	**(9,599)**	(12,260)
Net reversal of impairment/(impairment loss) on contract assets	*22*	**234**	(688)
Impairment loss on property, plant and equipment	*16*	**(15,318)**	–
Impairment loss on goodwill	*17*	**(9,800)**	–
Write-down of inventories to net realisable value	*20*	**(2,047)**	(3,383)
Write-off of inventories	*20*	**(1,135)**	(1,212)
Write-off of property, plant and equipment	*16*	**–**	(1,199)
Other gains/(losses), net	*11*	**10,774**	2,051
Operating (loss)/profit		**(80,523)**	1,868
Finance income	*12*	**2,148**	44
Finance costs	*12*	**(20,497)**	(22,799)
Finance costs, net		**(18,349)**	(22,755)
Share of results of associates	*32*	**4,396**	–
Loss before income tax expense		**(94,476)**	(20,887)
Income tax expense	*13*	**(153)**	(91)
Loss for the year from continuing operations		**(94,629)**	(20,978)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
			(re-presented)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*34*	**17,897**	(57,751)
Loss for the year		**(76,732)**	(78,729)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**20,020**	21,132
Release of translation reserve upon disposal of subsidiaries	*34*	**1,171**	–
Other comprehensive income for the year, net of tax		**21,191**	21,132
Total comprehensive income for the year		**(55,541)**	(57,597)

	Notes	2021 HK$'000	2020 HK$'000 (re-presented)
		For the year ended 31 December	
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(94,461)**	(20,978)
– Discontinued operations		**12,676**	(52,047)
Loss for the year attributable to owners of the Company		**(81,785)**	(73,025)
Non-controlling interests			
– Continuing operations		**(168)**	–
– Discontinued operations		**5,221**	(5,704)
Profit/(loss) for the year attributable to non-controlling interests		**5,053**	(5,704)
		(76,732)	(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)
		(55,541)	(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	*14*	**(5.4)**	(1.2)
Discontinued operations	*14*	**0.7**	(3.0)
		(4.7)	(4.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**157,586**	332,379
Intangible assets	*17*	**85,656**	95,714
Right-of-use assets	*18*	**1,683**	33,518
Financial asset at fair value through profit or loss ("FVTPL")	*19*	**8,587**	8,360
Interests in associates	*32*	**67,250**	1,388
Other receivables and deposits	*21(b)*	**303**	22,294
		321,065	493,653
Current assets			
Inventories	*20*	**24,348**	58,911
Trade receivables	*21(a)*	**184,990**	240,844
Contract assets	*22*	**23,727**	118,468
Other receivables and deposits	*21(b)*	**117,521**	58,408
Prepayments	*21(b)*	**17,393**	15,596
Pledged bank deposits	*23*	**969**	3,256
Cash and cash equivalents	*24*	**26,477**	29,553
		395,425	525,036
Current liabilities			
Trade payables	*25(a)*	**158,598**	172,856
Other payables and accruals	*25(b)*	**79,123**	131,095
Contract liabilities	*22*	**940**	8,694
Lease liabilities	*18*	**1,616**	10,152
Bank and other borrowings	*26*	**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

	Notes	2021 HK$'000	2020 HK$'000
		As at 31 December	
Non-current liabilities			
Bank and other borrowings	*26*	**70,200**	91,496
Lease liabilities	*18*	**274**	14,003
Deferred tax liabilities	*27*	**–**	246
		70,474	105,745
Net assets		**290,679**	354,416
EQUITY AND LIABILITIES			
Equity			
Share capital	*28*	**2,001,073**	2,001,073
Other reserves	*29*	**74,217**	38,319
Accumulated losses		**(1,789,278)**	(1,707,493)
Equity attributable to the owners of the Company		**286,012**	331,899
Non-controlling interests		**4,667**	22,517
Total equity		**290,679**	354,416

The consolidated financial statements on pages 81 to 208 were approved by the board of directors on 30 March 2022 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Other reserves *(Note 29)*	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2020	2,001,073	24,216	(1,643,881)	381,408	24,307	405,715
Comprehensive income						
Loss for the year	–	–	(73,025)	(73,025)	(5,704)	(78,729)
Other comprehensive income						
Currency translation differences	–	20,751	–	20,751	381	21,132
Total comprehensive income for the year	–	20,751	(73,025)	(52,274)	(5,323)	(57,597)
Transactions with owners in the their capacity as owners						
Early redemption of convertible bonds issued in 2019 ("**2019 Convertible Bonds**") and issue of bonds in 2020 ("**2020 Bonds**") and warrants *(Note 26(c))*	–	(9,413)	9,413	–	–	–
Recognition of share-based payment *(Note 30)*	–	1,663	–	1,663	–	1,663
Non-controlling interests on acquisition of a subsidiary	–	–	–	–	5,166	5,166
Other transactions with non-controlling interests	–	1,102	–	1,102	(1,633)	(531)
Total transactions with owners, recognised directly in equity	–	(6,648)	9,413	2,765	3,533	6,298
Balance at 31 December 2020	2,001,073	38,319	(1,707,493)	331,899	22,517	354,416

	Attributable to owners of the Company					
	Share capital	Other reserves *(Note 29)*	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2021	2,001,073	38,319	(1,707,493)	331,899	22,517	354,416
Comprehensive income						
(Loss)/profit for the year	–	–	(81,785)	(81,785)	5,053	(76,732)
Other comprehensive income						
Currency translation differences	–	16,290	–	16,290	3,730	20,020
Release of translation reserve upon disposal of subsidiaries	–	1,171	–	1,171	–	1,171
Total comprehensive income for the year	–	17,461	(81,785)	(64,324)	8,783	(55,541)
Transactions with owners in the their capacity as owners						
Recognition of share-based payment *(Note 30)*	–	616	–	616	–	616
Release of non-controlling interests upon disposal of subsidiaries *(Note 34(a)(i))*	–	–	–	–	(52,567)	(52,567)
Other transactions with non-controlling interests *(Note 34(b))*	–	17,821	–	17,821	25,934	43,755
Total transactions with owners, recognised directly in equity	–	18,437	–	18,437	(26,633)	(8,196)
Balance at 31 December 2021	2,001,073	74,217	(1,789,278)	286,012	4,667	290,679

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
			(re-presented)
Cash flows from operating activities			
(Loss)/profit before income tax expense			
– Continuing operations		**(94,476)**	(20,887)
– Discontinued operations		**20,924**	(57,748)
		(73,552)	(78,635)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**44,265**	53,454
Depreciation of right-of-use assets	*18(b)*	**6,642**	8,829
Amortisation of intangible assets	*17*	**74**	92
Share-based payment	*8*	**616**	1,663
Net impairment loss on financial assets	*21*	**9,599**	12,471
Net reversal of impairment/(impairment loss) on contract assets	*22*	**(234)**	688
Write-down of inventories to net realisable value	*20*	**2,047**	3,383
Write-off of inventories	*20*	**1,135**	1,212
Write-off of property, plant and equipment	*16*	**–**	7,615
Impairment loss on property, plant and equipment	*16*	**15,318**	–
Impairment loss on goodwill	*17*	**9,800**	–
Loss on disposal of property, plant and equipment	*11*	**372**	1,893
Loss on lease modification	*11*	**–**	111
COVID-19 related rent concessions	*11*	**–**	(261)
Fair value gain on financial assets at FVTPL	*11*	**(157)**	(920)
Gain on early redemption of 2019 Convertible Bonds	*11*	**–**	(2,478)
Gain on disposal of subsidiaries	*34(a)(i)*	**(23,497)**	–
Gain on bargain purchase	*11*	**–**	(142)
Net finance costs	*12*	**20,843**	26,311
Foreign exchange loss		**–**	(2,753)
Share of results from associates	*32*	**(4,396)**	(854)
Operating profit before working capital changes		**8,875**	31,679
Inventories		**(11,156)**	(3,397)
Trade and other receivables, deposits and prepayments and contract assets		**111,626**	(53,583)
Trade, other payables and accruals and contract liabilities		**38,734**	34,865
Cash generated from operations		**148,079**	9,564
Interest paid		**(24,812)**	(18,519)
Net cash generated from/(used in) operating activities		**123,267**	(8,955)

		For the year ended 31 December	
	Notes	**2021** **HK$'000**	2020 HK$'000 (re-presented)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,353)**	(23,329)
Purchases of intangible assets		**(1,276)**	(330)
Proceeds from disposal of property, plant and equipment	*33(a)*	**–**	780
Proceeds from disposal on equity interest of subsidiaries	*34(a)(i)*	**25,054**	–
Proceeds from disposal on equity interest of a subsidiary in prior year		**–**	14,610
Proceeds from disposal on equity interest of a subsidiary in prior year, net of cash		**–**	1,091
Acquisition of a subsidiary, net of cash acquired	*35(a)*	**–**	18
Proceeds received in advance from disposal of equity interest in a subsidiary		**–**	29,293
Interest received		**2,164**	56
Decrease in pledged bank deposits	*33(c)*	**2,351**	1,746
Loan receivables from related parties		**(52,239)**	–
Advances to related parties		**(774)**	–
Net cash (used in)/generated from investing activities		**(29,073)**	23,935
Cash flows from financing activities			
Proceeds from bank and other borrowings, others	*33(c)*	**97,259**	209,282
Repayments of bank and other borrowings, others	*33(c)*	**(185,501)**	(190,292)
Repayments of bank and other borrowings, bondholders loans	*33(c)*	**(11,500)**	(10,500)
Repayment of principal portion of 2020 Bonds	*33(c)*	**(15,000)**	(13,231)
Repayments of coupons of 2019 Convertible Bonds	*33(c)*	**–**	(1,636)
Principal elements of lease liabilities	*33(c)*	**(6,661)**	(8,650)
Interest elements of lease liabilities	*33(c)*	**–**	(1,210)
Capital injection from non-controlling shareholders of subsidiaries		**22,477**	–
Advances from related parties	*33(c)*	**64**	–
Net cash used in financing activities		**(98,862)**	(16,237)
Net decrease in cash and cash equivalents		**(4,668)**	(1,257)
Cash and cash equivalents at beginning of year		**29,553**	29,447
Effect of foreign exchange rates changes		**1,592**	1,363
Cash and cash equivalents at end of year	*24*	**26,477**	29,553

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 of Hong Kong Limited (the "Stock Exchange") on 6 March 2013.

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, IAS 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. Impact on the applications of these amended IFRSs are summarised below.

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

(a) Adoption of new or amended IFRSs – effective 1 January 2021 (Continued)

(i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(ii) Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

In the annual financial statements for the year ended 31 December 2020, the Group had elected to utilise the practical expedient for all rent concessions that meet the criteria. Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment Covid-19-Related Rent Concessions. Accordingly, the Group has applied the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The Group did not have any ineligible rent concessions were accounted as lease modifications for the year ended 31 December 2020. During the year ended 31 December 2021, the Group also has not entered into additional rent concessions that satisfy the criteria for the application of the extended practical expedient. The adoption of this amendment does not have a material impact to the Group's results and financial position.

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

(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 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 International 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.

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

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

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the previous version. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

IFRS 17, Insurance Contracts and the related Amendments

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

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

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

IFRS 17, Insurance Contracts and the related Amendments (Continued)

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9 that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

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

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

Amendments to IAS 1, Classification of Liabilities as Current or Non-current (Continued)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

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

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

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences with the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied prospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

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

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

Amendments to IAS 16, Proceeds before Intended Use (Continued)

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRSs 2018-2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

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

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

Annual Improvements to IFRSs 2018-2020 (Continued)

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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.

(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.

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

3. BASIS OF PREPARATION (Continued)

(b) Basis of measurement and going concern assumption (Continued)

(ii) Going concern assumption

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 amounted to 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 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 covering a period of fifteen months ("**Forecast**"). 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) 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 (Note 26(a)), approximately RMB29,000,000 from a shareholder (Note 26(b)(iv)), and approximately RMB19,000,000 from certain independent lenders (Note 26(b)(v)) as well as approximately HK$5,000,000 from other independent lenders (Note 26(b)(vi)).

(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 facilities are unsecured and bear 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 (Note 26 (b)(vii)).

3. BASIS OF PREPARATION (Continued)

(b) Basis of measurement and going concern assumption (Continued)

(ii) Going concern assumption (Continued)

(e) Repayment from Petro-king Energy Technology (Huizhou) Co., Ltd. ("**Petro-king Huizhou**") and its subsidiaries (the "**Petro-king Huizhou Group**") of certain 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 Petro-king 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.

3. BASIS OF PREPARATION (Continued)

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's presentation and functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are initially measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity or debt instruments in which case the costs are deducted from the related instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGU(s)**") that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4.8), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual value over its estimated useful lives, as follows:

Leasehold improvements	Shorter of lease term or useful life of 5 years
Buildings	Shorter of lease term or useful life of 50 years
Plant and machineries	5-10 years
Motor vehicles	5-10 years
Computer equipment	3-5 years
Furniture and fixtures	3-5 years

The assets' residual values and useful lives are revised and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with carrying amounts and are recognised within "other gains/(losses), net" in the consolidated statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (other than goodwill)

(a) Computer software

Intangible assets comprised acquired computer software licenses which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(b) Research and development

Costs associated with research and development are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable oilfield products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Research and development expenses is presented in the consolidated statement of profit or loss and other comprehensive income as a separate item for disclosure purpose.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (other than goodwill) (Continued)

(c) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4.7 Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use asset (Continued)

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRSs, in which case the impairment loss is treated as a revaluation decrease under that IFRSs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4.9 Financial instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(a) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVTOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(a) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(b) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss(es) ("**ECL(s)**") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(b) Impairment loss on financial assets (Continued)

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(b) Impairment loss on financial assets (Continued)

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank and borrowings and consideration payable are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(f) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any. In consolidated statement of financial position, bank overdrafts are shown within bank and other borrowings in current liabilities.

4.12 Pledged bank deposits

Pledged bank deposits represent the amounts of cash pledged as collateral to the banks for project bidding and issuing performance bonds.

Pledged bank deposits are separately presented from cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with IFRS 5, if earlier.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4.14 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the control of the goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

(i) direct measurements of the value transferred by the Group to the customer; or

(ii) the Group's efforts or inputs to the satisfaction of the performance obligation.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal who obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenue on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Provision of oilfield project tools and services

The Group provides services on oilfield projects in a wide range of areas at various stage in the life of an oilfield principally in drilling, well completion and production enhancement to its customers. The services mainly consist of providing oilfield development plan, procurement advice services and installation of tools and equipment and on-site project management. The Group also assembles and sells oilfield project tools to the customers.

Revenue from providing services is recognised in the accounting period in which the services are rendered. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and thus the performance obligation is satisfied over time. The customer pays a fixed amount based on a payment schedule. If the services rendered by the Group exceed the Group's right to consideration for service rendered that is not yet unconditional, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

(a) Provision of oilfield project tools and services (Continued)

Estimates of revenue, costs to completely satisfy the performance obligation or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Revenue from the sales of the project tools are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of consultancy services

The Group provides consultancy services consisting of integrated project management services and supervisory services.

Integrated project management services comprise of engineering and designing overall development plan for an oilfield project, assisting and providing advice on sourcing, by way of invitation or open tender, oilfield project management services in different technical areas including drilling, well completion, downhole operation, oilfield equipment installation and production enhancement and providing on-site operational management, supervision, support and advice.

Supervisory services include management, supervision and technical support in specific technical areas in various stages of the oilfield project. Supervisory services mainly serve to ensure the operation in the specific technical areas of the project works in accordance with the execution plan approved by the customers. While some of the contracts for supervisory services require the Group to provide services to customers for a definite term, others require the Group to provide services for a specific operation within a project.

Revenue from consultancy services is recognised in the accounting period when the Group provides the service and all of the benefits are received and consumed simultaneously by the customer throughout the contract period. Thus, the Group satisfies a performance obligation and recognises revenue over time based on the time incurred to provide the services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

(c) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit- impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

4.15 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customers. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract. Conversely, the contract is a liability and recognised as contract liabilities if the Group has obligation to transfer goods or services to a customer for which the entity has received consideration or the amount is due from customer.

Contract assets are assessed for ECLs in accordance with the policy set out in Note 4.9(b) and are reclassified to receivables when the right to the consideration has become unconditional.

4.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at statement of financial position date in the countries where the Company and its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currency translation

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other gains/(losses), net".

(b) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currency translation (Continued)

(c) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influences or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

4.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

4.19 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Employee benefits

(a) Pension and employee social security and benefits obligations

(i) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for the employees in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong.

The Group pays fixed contributions into a trustee-administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to the plan on a mandatory, contractual or voluntary basis. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate monthly income and HK$1,500. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due.

(ii) Mainland China

The Group's companies in the Mainland China participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the Mainland China. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Employee benefits (Continued)

(a) Pension and employee social security and benefits obligations (Continued)

(iii) Singapore

The Group's company in Singapore participates in Central Provident Fund ("**CPF**"), which is a defined contribution pension scheme. Contributions to CPF schemes are recognised as an expense in the period in which the related service is performed.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Share-based payment

(a) Equity-settled share-based payment transactions

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price); and

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value).

Where options are forfeited due to a failure by the employee to satisfy the service conditions, the accumulated expenses previously recognised in relation to such options are reversed at the date of the forfeiture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Share-based payment (Continued)

(b) Share-based payment transactions among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

4.22 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM is responsible for allocating resources and assessing performance of the operating segments.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Going concern consideration

As mentioned in note 3(b)(ii), the Directors have prepared the consolidated financial statements for the year ended 31 December 2021 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the Directors at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering a period of fifteen months and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 December 2022. Accordingly, the Directors considered that the Group have the capability to continue as a going concern.

(b) Estimated impairment of non-financial assets

The Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets, for example goodwill, property, plant and equipment and right-of-use assets are impaired, which requires significant judgment. In making this judgment, the Group evaluates the extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and where applicable, financing cash flows.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4.8. The recoverable amounts of CGUs have been determined based on the higher of value-in-use or fair value less costs of disposal, the determination of which require the use of estimates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of trade and other receivables and contract assets

The Group follows the guidance of IFRS 9 to determine when trade and other receivables and contract assets are impaired. This determination requires significant judgment and estimation based on assumptions about risk of default and expected loss rates. In making this judgment and estimation, the Group evaluates, among other factors, the duration of receivables, financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Details of the assumptions and inputs used are discussed in Note 39(b)(ii) to the consolidated financial statements.

(d) Write-down of inventories to net realisable value

Inventories write-down is determined based on an assessment of the realisability of inventories. Inventories write-down is recorded where events or changes in circumstances that the balances may not be recovered in full. This assessment requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact carrying values of inventories and amount of write-down in the period in which estimate has been changed.

6. 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 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, the Group had discontinued its business under the segment of "Others" upon the disposal of Petro-king Huizhou.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue

Revenue recognised during the years ended 31 December 2021 and 2020 is as follows:

	2021 **HK$'000**	2020 HK$'000 (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
	135,512	264,333
Consultancy services		
– Integrated project management services	**2,199**	15,249
– Supervisory services	**25,927**	28,411
	28,126	43,660
	163,638	307,993
Revenue from other sources:		
Lease rental services	**329**	–
	163,967	307,993

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

Revenue recognised during the years ended 31 December 2021 and 2020 is as follows: (Continued)

	2021 HK$'000	2020 HK$'000 (re-presented)
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
	63,152	75,220
Others	**6,676**	6,721
	69,828	81,941
Total revenue	**233,795**	389,934
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
	233,466	389,934
Revenue from other sources	**329**	–
	233,795	389,934

For the Group's oilfield project tools and services, contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts are not disclosed.

For the Group's consultancy services, the Group bills the amount based on the time incurred to provide the services, therefore, the Group uses "right to invoice" practical expedient to recognise revenue in the amount to which the Group has a right to invoice. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results

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

	Continuing Operations		Discontinued Operations		
	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	135,841	28,126	63,152	6,676	233,795
Segment results	(90,662)	3,228	22,182	(1,258)	(66,510)
Net unallocated expenses					(7,042)
Loss before income tax expense					(73,552)
Other information:					
Depreciation of property, plant equipment	(39,532)	–	(4,560)	–	(44,092)
Amortisation of intangible assets	–	–	(74)	–	(74)
Depreciation of right-of-use assets	(72)	–	(4,632)	–	(4,704)
Net impairment loss on trade receivables *(Note 21(a))*	(9,599)	–	–	–	(9,599)
Net impairment reversal on contract assets *(Note 22)*	234	–	–	–	234
Write-down of inventories to net realisable value *(Note 20)*	(2,047)	–	–	–	(2,047)
Write-off inventories *(Note 20)*	(1,135)	–	–	–	(1,135)
Impairment loss on property, plant and equipment *(Note 16)*	(15,318)	–	–	–	(15,318)
Impairment loss on goodwill *(Note 17)*	–	(9,800)	–	–	(9,800)
Finance costs	(8,764)	–	(2,510)	–	(11,274)

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

	Continuing Operations		Discontinued Operations		
	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 (re-presented)
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	(8,473)	21,586	(58,053)	305	(44,635)
Net unallocated expenses					(34,000)
Loss before income tax expense					(78,635)
Other information:					
Depreciation of property, plant equipment	(38,978)	–	(9,108)	–	(48,086)
Amortisation of intangible assets	–	–	(92)	–	(92)
Depreciation of right-of-use assets	–	–	(3,070)	–	(3,070)
Net impairment loss on trade receivables *(Note 21(a))*	(4,385)	–	(211)	–	(4,596)
Net impairment loss on other receivables *(Note 21(b))*	(7,875)	–	–	–	(7,875)
Net impairment loss on contract assets *(Note 22)*	(688)	–	–	–	(688)
Write-down of inventories to net realisable value *(Note 20)*	(3,383)	–	–	–	(3,383)
Write-off inventories *(Note 20)*	(1,212)	–	–	–	(1,212)
Write-off property, plant and equipment *(Note 16)*	(1,199)	–	–	(6,416)	(7,615)
Finance costs	(5,686)	–	(3,568)	–	(9,254)

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

Measurement of profit or loss of the operating segments are the same as those described in Note 4.24 to the consolidated financial statements. 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:

	2021 **HK$'000**	2020 HK$'000
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 profits of associates	**4,396**	–
Other unallocated corporate expenses	**(8,368)**	(7,811)
Consolidated loss before income tax expense from continuing operations	**(94,476)**	(20,887)

The segment results included material costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, expenses related to short-term leases, employee benefit expenses, distribution expenses, technical service fees, research and development expenses, entertainment and marketing expenses, other expenses, net impairment loss on financial assets, net reversal of impairment/(impairment loss) on contract assets, write-down of inventories to net realisable value, write-off of inventories, write-off of property, plant and equipment, impairment loss on property, plant and equipment, impairment loss on goodwill, other gains/(losses), net, and finance costs, allocated to each operating segment.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities

The segment assets and segment liabilities as at 31 December 2021 are as follows:

	Continuing Operations		
	Oilfield project tools and services – Oilfield Services Business HK$'000	**Consultancy services HK$'000**	**Total HK$'000**
As at 31 December 2021			
Segment assets	**484,427**	**97,875**	**582,302**
Unallocated assets			**134,188**
Total assets			**716,490**
Segment liabilities	**282,083**	**521**	**282,604**
Unallocated liabilities			**143,207**
Total liabilities			**425,811**
Total assets include:			
Additions to non-current assets (other than financial instruments)	**1,831**	**–**	**1,831**

The segment assets and segment liabilities as at 31 December 2020 are as follows:

	Continuing Operations		Discontinued Operations		
	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 (re-presented)
As at 31 December 2020					
Segment assets	579,675	112,123	260,746	3,061	955,605
Unallocated assets					63,084
Total assets					1,018,689
Segment liabilities	342,362	531	133,285	121	476,299
Unallocated liabilities					187,974
Total liabilities					664,273
Total assets include:					
Additions to non-current assets (other than financial instruments)	9,478	–	26,625	7,218	43,321

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities (Continued)

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

Segment assets included property, plant and equipment, intangible assets, right-of-use assets, inventories, trade and other receivables, contract assets, deposits and prepayments, pledged bank deposits and cash and cash equivalents.

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

	2021 HK$'000	2020 HK$'000
Segment assets for reportable segments	**582,302**	955,605
Unallocated assets		
– Property, plant and equipment	**3,418**	2,034
– Financial asset at FVTPL	**8,587**	8,360
– Interests in associates	**67,250**	1,388
– Other receivables, deposits and prepayments	**53,466**	47,240
– Others	**1,467**	4,062
Total assets per consolidated statement of financial position	**716,490**	1,018,689

Segment liabilities included trade payables, other payables and accruals, contract liabilities, lease liabilities and bank and other borrowings.

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

	2021 HK$'000	2020 HK$'000
Segment liabilities for reportable segments	**282,604**	476,299
Unallocated liabilities		
– Bank and other borrowings	**121,800**	162,179
– Deferred tax liabilities	**–**	246
– Others	**21,407**	25,549
Total liabilities per consolidated statement of financial position	**425,811**	664,273

6. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Geographical information

The following table shows revenue generated from (i) segment of oilfield project tools and services, (ii) segment of others by geographical area according to location of the customers, and (iii) revenue generated from segment of consultancy services by geographical area according to location of the customers' oilfields:

	2021	2020
	HK$'000	HK$'000
The PRC	**186,129**	332,863
The Middle East	**34,346**	36,156
Others	**13,320**	20,915
	233,795	389,934

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

	2021	2020
	HK$'000	HK$'000
The PRC	**279,434**	373,569
The Middle East	**32,741**	39,603
Singapore	**–**	49,827
	312,175	462,999

6. REVENUE AND SEGMENT INFORMATION (Continued)

(e) Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A	**83,878**	209,332
Customer B	**44,004**	55,494
Customer C	**24,551**	–*

* represents the amount of revenue from such customer which is less than 10% of the total revenue of that year.

All the customers contributing 10% or more of the total revenue of the Group are from the oilfield project tools and services segment.

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Discontinued operations:		
Storage income	**920**	547
Others	**195**	78
	1,115	625

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000 (re-presented)
Continuing operations:		
Wages, salaries and bonus	**62,101**	59,777
Pension costs	**5,244**	3,509
Share options granted to directors, senior management and employees *(Note 30)*	**616**	1,663
Other staff benefits	**3,879**	2,760
Less: employee benefit expenses attributable for research and development	**(17,026)**	(11,448)
	54,814	56,261
Discontinued operations:		
Wages, salaries and bonus	**7,763**	19,571
Pension costs	**807**	982
Other staff benefits	**189**	686
Less: employee benefit expenses attributable for research and development	**(1,488)**	(5,550)
	7,271	15,689
	62,085	71,950

As at 31 December 2021, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2020: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive officer's emoluments

The remuneration of every director for the year ended 31 December 2021 is set out below:

Name	Fee HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive director							
Wang Jinlong *(Note (i))*	–	657	–	–	–	68	725
Zhao Jindong	–	1,112	–	–	23	122	1,257
Huang Yu *(Note (ii))*	–	866	–	–	304	33	1,203
Non-executive director							
Lee Tommy *(Note (iii))*	–	42	–	–	–	–	42
Ma Hua *(Note (iii))*	–	42	–	–	–	–	42
Wong Shiu Kee *(Note (iv))*	–	167	–	–	–	–	167
Independent non-executive director							
Tong Hin Wor	–	153	–	–	–	–	153
Leung Lin Cheong	–	240	–	–	–	–	240
Xin Junhe	–	153	–	–	–	–	153
	–	3,432	–	–	327	223	3,982

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive officer's emoluments (Continued)

The remuneration of every director and the chief executive officer for the year ended 31 December 2020 is set out below:

Name	Fee	Salary	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director							
Wang Jinlong	–	1,323	–	–	–	67	1,390
Zhao Jindong	–	1,112	–	–	192	68	1,372
Non-executive director							
Lee Tommy	–	135	–	–	–	–	135
Ma Hua	–	135	–	–	–	–	135
Independent non-executive director							
Tong Hin Wor	–	153	–	–	–	–	153
Leung Lin Cheong	–	240	–	–	–	–	240
Xin Junhe	–	153	–	–	–	–	153
Chief executive officer							
Huang Yu	–	855	–	–	502	29	1,386
	–	4,106	–	–	694	164	4,964

Other benefits include share options to directors and chief executive officer.

For the years ended 31 December 2021 and 2020, no emoluments, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2020: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: Nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive officer's emoluments (Continued)

Notes:

(i) Redesignated from executive Director to non-executive Director on 1 January 2022.

(ii) Appointed as executive Director on 21 April 2021.

(iii) Resigned as executive Director on 21 April 2021.

(iv) Appointed as non-executive Director on 21 April 2021.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2020: two) directors and nil (2020: one) chief executive officer whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2020: two) individuals during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Salary	**3,194**	2,427
Employer's contribution to pension scheme	**210**	84
Share-based payment	**327**	286
	3,731	2,797

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
	HK$'000	HK$'000
Emoluments band		
– Nil to HK$1,000,000	**1**	–
– HK$1,000,001 – HK$1,500,000	**1**	1
– HK$1,500,001 – HK$2,000,000	**1**	1
	3	2

10. OTHER EXPENSES

	2021 HK$'000	2020 HK$'000 (re-presented)
Continuing operations:		
Auditor's remuneration		
– Audit service	**2,100**	2,050
– Non-audit services	**730**	1,280
Communication	**630**	944
Professional service fees	**4,516**	6,043
Motor vehicle expenses	**1,808**	1,034
Travelling	**6,657**	3,896
Insurance	**199**	936
Office utilities	**649**	1,783
Other taxes	**186**	426
Bank charges	**125**	137
Others	**2,827**	648
Less: other expenses attributable for research and development	**(816)**	(3,638)
	19,611	15,539
Discontinued operations:		
Communication	**128**	287
Professional service fees	**1,758**	5,750
Motor vehicle expenses	**64**	253
Travelling	**538**	2,554
Insurance	**47**	176
Office utilities	**415**	1,720
Other taxes	**1,115**	2,663
Bank charges	**67**	96
Others	**1,898**	1,728
Less: other expenses attributable for research and development	**(516)**	(215)
	5,514	15,012
	25,125	30,551

11. OTHER GAINS/(LOSSES), NET

	2021	2020
	HK$'000	HK$'000
		(re-presented)
Continuing operations:		
Loss on disposal of property, plant and equipment *(Note 33(a))*	**(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 *(Note)*	**12,699**	1,686
Foreign exchange loss, net	**(1,872)**	(533)
Loss on deregistration of subsidiaries	**–**	(1,105)
Others	**162**	383
	10,774	2,051
Discontinued operations:		
Gain on disposal of property, plant and equipment *(Note 33(a))*	**–**	50
Loss on lease modification	**–**	(111)
COVID-19 related rent concessions	**–**	96
Government grant *(Note)*	**398**	–
Foreign exchange gains, net	**888**	669
Gain on bargain purchase *(Note 35(a))*	**–**	142
Others	**(4,333)**	(52)
	(3,047)	794
	7,727	2,845

Note:

The amounts mainly represented subsidies from government for research activities and remedy for COVID-19 pandemic. The Group recognises the government subsidies when it fulfils all the conditions specified in the subsidy correspondence or relevant law and regulations.

12. FINANCE INCOME AND COSTS

	2021	2020
	HK$'000	HK$'000
		(re-presented)
Continuing operations:		
Interest expenses:		
– Bank and other borrowings	**(16,655)**	(16,418)
– 2020 Bonds *(Note 26(c))*	**(3,693)**	(3,997)
– 2019 Convertible Bonds	**–**	(2,162)
– Lease liabilities *(Note 18)*	**(149)**	(222)
	(20,497)	(22,799)
Discontinued operations:		
Interest expenses:		
– Bank and other borrowings	**(2,038)**	(2,580)
– Lease liabilities *(Note 18)*	**(472)**	(988)
	(2,510)	(3,568)
Finance costs	**(23,007)**	(26,367)
Continuing operations:		
Interest income from bank deposits	**415**	44
Interest income from related parties	**1,733**	–
	2,148	44
Discontinued operations:		
Interest income from bank deposits	**16**	12
Finance income	**2,164**	56
Finance costs, net	**(20,843)**	(26,311)

13. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000 (re-presented)
Continuing operations:		
Current tax		
– Under provision in prior years	–	86
Deferred tax *(Note 27)*	153	5
	153	91
Discontinued operations:		
Current tax		
– PRC corporate income tax	3,027	–
Deferred tax *(Note 27)*	–	3
	3,027	3
Income tax expense	3,180	94

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

	2021 HK$'000	2020 HK$'000 (re-presented)
Loss before income tax expense		
From continuing operations	(94,476)	(20,887)
From discontinued operations	(2,573)	(57,748)
	(97,049)	(78,635)
Tax calculated at domestic tax rates applicable to loss in the respective entities	(4,424)	(8,221)
Tax effect of share of results of an associate	1,099	214
Under provision for prior years	–	86
Tax effect of income not taxable for tax purpose	(7,668)	(2,102)
Tax effect of expense not deductible for tax purpose	8,624	8,272
Tax effect of previously unrecognised tax loss utilised	(2,857)	(2,890)
Tax effect of tax losses for which no deferred tax assets was recognised	8,406	4,735
Income tax expense	3,180	94

13. INCOME TAX EXPENSE (Continued)

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2020: 16.5%) during the year.

(b) PRC corporate income tax

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

As at 31 December 2021, Petro-king Oilfield Technology Limited was approved by relevant local tax bureau authorities a High and New Technological Enterprise, and was entitled to a preferential CIT rate of 15% (2020: 15%) from 2019 to 2022.

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

(c) Singapore corporate tax

Subsidiaries established in Singapore are subject to Singapore corporate tax at a rate of 17% (2020: 17%) for the year ended 31 December 2021.

14. 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.

	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**1,726,674**	1,726,674

(a) From continuing and discontinued operations

	2021	2020
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(81,785)**	(73,025)

(b) From continuing operations

	2021	2020
	HK$'000	HK$'000
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)
Loss for the purpose of calculating basic loss per share from continuing operations	**(94,461)**	(20,978)

14. LOSS PER SHARE (Continued)

(c) From discontinued operations

	2021 **HK$'000**	2020 HK$'000
Profit/(loss) for the year for the purpose of calculating basic earnings/(loss) per share from discontinued operations	**12,676**	(52,047)

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 2021 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2020: Same) as the conversion of potential ordinary shares in relation to the share options and warrants (2020: share options, warrants and 2019 Convertible Bonds) have an anti-dilutive effect to the basic loss per share from continuing operations.

15. 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).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 January 2020							
Cost	162,283	11,533	458,526	7,642	4,138	13,217	657,339
Accumulated depreciation	(39,518)	(9,028)	(229,143)	(7,478)	(3,584)	(10,909)	(299,660)
Net book amount	122,765	2,505	229,383	164	554	2,308	357,679
Year ended 31 December 2020							
Opening net book amount	122,765	2,505	229,383	164	554	2,308	357,679
Additions	–	–	23,179	–	150	–	23,329
Acquisition of a subsidiary *(Note 35(a))*	–	–	–	–	–	55	55
Depreciation	(4,513)	(1,403)	(46,393)	(44)	(133)	(968)	(53,454)
Disposals *(Note 33(a))*	(316)	–	(2,320)	(27)	(5)	(5)	(2,673)
Written off	–	–	(7,609)	–	(6)	–	(7,615)
Exchange differences	2,288	(93)	12,872	(21)	(11)	23	15,058
Closing book amount	120,224	1,009	209,112	72	549	1,413	332,379
At 31 December 2020							
Cost	162,253	11,636	480,649	7,209	4,176	13,634	679,557
Accumulated depreciation	(42,029)	(10,627)	(271,537)	(7,137)	(3,627)	(12,221)	(347,178)
Net book amount	120,224	1,009	209,112	72	549	1,413	332,379
Year ended 31 December 2021							
Opening net book amount	**120,224**	**1,009**	**209,112**	**72**	**549**	**1,413**	**332,379**
Additions	**–**	**–**	**1,661**	**2,327**	**339**	**26**	**4,353**
Depreciation	**(1,548)**	**(747)**	**(41,797)**	**(16)**	**(121)**	**(36)**	**(44,265)**
Disposals *(Note 33(a))*	**–**	**–**	**(194)**	**(172)**	**(5)**	**(1)**	**(372)**
Disposal of subsidiaries *(Note 34(a)(i))*	**(118,313)**	**(138)**	**(1,179)**	**(290)**	**(353)**	**(23)**	**(120,296)**
Impairment	**–**	**–**	**(15,318)**	**–**	**–**	**–**	**(15,318)**
Exchange differences	**(363)**	**(124)**	**1,861**	**7**	**5**	**(281)**	**1,105**
Closing book amount	**–**	**–**	**154,146**	**1,928**	**414**	**1,098**	**157,586**
At 31 December 2021							
Cost	**–**	**–**	**485,152**	**8,726**	**3,320**	**7,208**	**504,406**
Accumulated depreciation	**–**	**–**	**(331,006)**	**(6,798)**	**(2,906)**	**(6,110)**	**(346,820)**
Net book amount	**–**	**–**	**154,146**	**1,928**	**414**	**1,098**	**157,586**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021, bank borrowings are secured by the buildings of the subsidiaries of the Group of HK$nil (2020: HK$80,968,000) (Note 26(a)).

As at 31 December 2021, machineries with carrying amount of approximately HK$6,129,000 (2020: HK$36,504,000) were purchased under three-year instalment loans secured by those machineries, with interest of 6.7% per annum (2020: 6.7% per annum). Details are set out in the Note 26(b) to the consolidated financial statements.

For the year ended 31 December 2021, property, plant and equipment of the Group of HK$nil (2020: HK$7,615,000) has been written off as no economic benefits are expected from use or disposal.

For the year ended 31 December 2021, the management identified impairment indicator of property, plant and equipment due to decline in performance in the segment of oilfield project tools and services. The Group assesses the recoverable amounts of the property, plant and equipment allocated to the respective CGUs and as a result the recoverable amounts of the property, plant and equipment were approximately HK$154,146,000. An impairment loss of approximately HK$15,318,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for continuing operations.

As at 31 December 2021, the recoverable amount of the CGU related to oilfield project tools and services have been determined based on value in use calculations, which is arrived at on the basis of valuation carried out by an independent professional valuer. The calculation uses cash flow projections based on the most recent financial budgets approved by the Directors covering a five-year period. The key assumptions for the cash flow projections are those regarding the annual growth rate and discount rate. The annual growth rate is 24%. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The pre-tax discount rate used is 15%.

17. INTANGIBLE ASSETS

	Goodwill– Oilfield project tools and services HK$'000	Goodwill– consultancy services HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2021				
Cost	424,812	95,456	8,584	528,852
Accumulated amortisation and impairment	(424,812)	–	(8,326)	(433,138)
Net book amount	–	95,456	258	95,714
Year ended 31 December 2021				
Opening net book amount	–	95,456	258	95,714
Additions	–	–	1,276	1,276
Amortisation	–	–	(74)	(74)
Disposal of subsidiaries *(Note 34 (a)(i))*	–	–	(1,699)	(1,699)
Impairment	–	(9,800)	–	(9,800)
Exchange difference	–	–	239	239
Closing net book amount	–	85,656	–	85,656
At 31 December 2021				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(9,800)	(8,213)	(442,825)
Net book amount	–	85,656	–	85,656

17. INTANGIBLE ASSETS (Continued)

	Goodwill– Oilfield project tools and services HK$'000	Goodwill– consultancy services HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2020				
Cost	424,812	95,456	8,230	528,498
Accumulated amortisation and impairment	(424,812)	–	(8,224)	(433,036)
Net book amount	–	95,456	6	95,462
Year ended 31 December 2020				
Opening net book amount	–	95,456	6	95,462
Additions	–	–	330	330
Amortisation	–	–	(92)	(92)
Exchange difference	–	–	14	14
Closing net book amount	–	95,456	258	95,714
At 31 December 2020				
Cost	424,812	95,456	8,584	528,852
Accumulated amortisation and impairment	(424,812)	–	(8,326)	(433,138)
Net book amount	–	95,456	258	95,714

17. INTANGIBLE ASSETS (Continued)

Impairment assessment of goodwill

Management reviews the business performance and monitor the goodwill on operating segment basis, which includes the consultancy services. The recoverable amount has been determined based on a value-in-use calculation. It is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions including annual growth rate, pre-tax discount rate and terminal growth rate used in the value-in-use calculations in 2021 and 2020 are as follows:

Consultancy services

	Year ended 31 December	
	2021	2020
Annual growth rate	**4%**	-4%
Pre-tax discount rate	**15%**	14%
Terminal growth rate	**3%**	3%

These assumptions have been used for the analysis within the operating segment.

The annual growth rate used is based on past performance and the management's expectations of the market development. The discount rate used is pre-tax and reflect specific risks. The terminal growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates.

As at 31 December 2021, the recoverable amount of the CGU related to consultancy services had been determined based on value in use calculation, which is arrived at on the basis of valuation carried out by an independent professional valuer. The Group assessed the recoverable amount of goodwill allocated to its respective CGU and as a result the recoverable amount of the goodwill was approximately HK$85,656,000. An impairment loss of approximately HK$9,800,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for continuing operations.

18. LEASES

(a) Amounts recognised in the consolidated statement of financial position

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Land use rights	–	9,645
Leasehold land	–	5,753
Properties leases	1,683	3,999
Machineries leases	–	14,121
	1,683	33,518
Lease liabilities		
Current	1,616	10,152
Non-current	274	14,003
	1,890	24,155

For the year ended 31 December 2021, additions to the right-of-use assets were approximately HK$937,000 (2020: HK$21,937,000).

18. LEASES (Continued)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Depreciation of right-of-use assets			
Land use rights		**115**	217
Leasehold land		**114**	220
Properties leases		**2,416**	2,720
Machineries leases		**3,997**	5,672
		6,642	8,829
Continuing operations:			
Interest expenses (included in finance costs)	*12*	**149**	222
Expenses related to short-term leases		**3,590**	4,047
Discontinued operations:			
Interest expenses (included in finance costs)	*12*	**472**	988
Expenses related to short-term leases		**1,664**	940

For the year ended 31 December 2021, the total cash outflow for leases were approximately HK$12,536,000 (2020: HK$14,847,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases office premises during the year. Lease agreements of office premises are typically made in accordance to the lease terms.

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Listed equity investment in the PRC – non-current *(Note (i))*	**6,263**	6,102
Unlisted equity investment in the PRC – non-current *(Note (ii))*	**2,324**	2,258
	8,587	8,360

Notes:

(i) Listed equity investment

The listed equity investment represents equity interest in a company incorporated in the PRC which is listed on the National Equities Exchange and Quotations Co. Ltd in the PRC on 5 July 2016 with no quoted transaction price since then.

As at 31 December 2021 and 2020, the fair value of listed equity investment was determined by market approach. The market approach uses direct comparison to certain comparable entities and their equity securities to estimate the market value of the listed equity investment.

The fair value is within the level 3 of the fair value hierarchy. Details are set out in Note 41 to the consolidated financial statements.

(ii) Unlisted equity investment

The Group invested in equity interest in a company in the PRC, which is principally engaged in provision of oilfield and gas field services. The fair value of unlisted equity investment in PRC approximated to the Group's share of net asset value of the equity instrument as at 31 December 2021 and 2020.

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	–	10,871
Assembling materials	27,439	36,159
Work in progress	–	15,563
Finished goods	2,173	28,929
Inventories – gross	29,612	91,522
Less: Inventories write-down *(Note)*	(5,264)	(32,611)
Inventories – net	24,348	58,911

For the year ended 31 December 2021, the cost of inventories recognised as expense and included in "material costs" amounted to approximately HK$11,447,000 (2020: HK$34,766,000) from continuing operations and amounted to approximately HK$37,109,000 (2020: HK$71,114,000) from discontinued operations.

Note:

For the year ended 31 December 2021, inventories write-down amounted to approximately HK$2,047,000 (2020: HK$3,383,000) had been included in "Write-down of inventories to net realisable value" from continuing operations.

For the year ended 31 December 2021, inventories with cost of approximately HK$1,135,000 (2020: HK$1,212,000) were considered as obsolete and written off from continuing operations.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

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

As at 31 December 2021, bank borrowings are secured by the trade receivables of a subsidiary of the Group of approximately HK$103,780,000 (2020: HK$158,016,000) (Note 26(a)).

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

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

	2021 HK$'000	2020 HK$'000
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
Trade receivables – gross	203,700	250,080

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 the customers and considers that the customers 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 one year after invoice date to its customers.

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

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

	2021 HK$'000	2020 HK$'000
At 1 January	9,236	268,130
Provision for impairment loss	13,384	5,249
Reversal of provision	(3,785)	(653)
Written off	(306)	(257,098)
Exchange differences	181	(6,392)
At 31 December	18,710	9,236

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

For the year ended 31 December 2021, the net impairment loss on trade receivables had been included in "net impairment loss on financial assets" amounted to approximately HK$9,599,000 (2020: HK$4,596,000).

For the year ended 31 December 2021, management has written off the trade receivables from certain customers which have been previously fully provided of approximately HK$306,000 (2020: HK$257,098,000).

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 39(b)(ii) to the consolidated financial statements.

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

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

	2021 **HK$'000**	2020 HK$'000
United States dollar ("**US$**")	**10,788**	13,962
Chinese Renminbi ("**RMB**")	**174,202**	226,882
	184,990	240,844

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	2021 HK$'000	2020 HK$'000
Other receivable, deposits and prepayments	**174,417**	135,498
Less: provision for impairment of other receivables	**(39,200)**	(39,200)
Other receivables, deposits and prepayments, net	**135,217**	96,298

	2021 HK$'000	2020 HK$'000
Other receivables and deposits:		
Deposits and other receivables – third parties	**23,488**	20,371
Receivables on land bidding in the PRC	**–**	1,687
Receivables from disposal of a subsidiary in prior year	**274**	470
Value-added tax recoverable	**38,138**	46,120
Rental deposits	**937**	1,762
Machineries lease deposit	**–**	1,188
Cash advances to staff	**1,974**	1,245
Other receivables – related parties *(Note 36(b))*	**53,013**	6,884
Advance to the Directors and senior management *(Note 36(b))*	**–**	975
	117,824	80,702
Less:		
Non-current value-added tax recoverable	**–**	(20,760)
Non-current rental and other deposits	**(303)**	(346)
Non-current machineries lease deposit	**–**	(1,188)
Non-current portion	**(303)**	(22,294)
Current portion	**117,521**	58,408
Prepayments:		
Prepayments for materials	**16,478**	13,411
Prepayments for rents and others	**915**	2,185
Current portion	**17,393**	15,596

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments (Continued)

For the year ended 31 December 2021, the Group applied the ECL model resulted in the recognition of impairment loss on other receivables amounted to HK$nil (2020: HK$7,875,000) has been included in "net impairment loss on financial assets".

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in Note 39(b)(ii) to the consolidated financial statements.

The carrying values of other receivables and deposits approximate to their fair values.

The carrying amounts are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
RMB	**73,387**	65,680
US$	**36,816**	11,972
HK$	**7,621**	2,621
Others	**–**	429
	117,824	80,702

22. CONTRACT ASSETS/(LIABILITIES)

	2021 **HK$'000**	2020 HK$'000
Contract assets	**24,703**	119,678
Less: provision for impairment of contract assets	**(976)**	(1,210)
Contract assets, net	**23,727**	118,468
Contract liabilities	**(940)**	(8,694)

For the year ended 31 December 2021, the Group applied the ECL model resulted in the recognition of impairment reversal on contract assets amounted to approximately HK$234,000 (2020: impairment loss of approximately HK$688,000), which had been included in "net impairment loss on contract assets".

Further details on the Group's credit policy and credit risk arising from contract assets are set out in Note 39(b)(ii) to the consolidated financial statement.

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights to bill are conditional on the Group to achieve specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

The contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

	2021 **HK$'000**	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	**7,781**	12,247

23. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged as security for the Group's bidding and performance bonds.

	2021 **HK$'000**	2020 HK$'000
Pledged bank deposits		
– Bidding	**633**	2,928
– Performance bonds *(Note 37)*	**336**	328
	969	3,256

As at 31 December 2021, all pledged bank deposits of the Group (2020: Same) were denominated in RMB and held in the PRC. These pledged bank deposits are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

24. CASH AND CASH EQUIVALENTS

	2021	2020
	HK$'000	HK$'000
Cash at bank	**26,461**	29,445
Cash on hand	**16**	108
	26,477	29,553

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
RMB	**17,742**	22,101
US$	**6,841**	4,155
Singaporean dollar ("**SGD**")	**65**	3,113
HK$	**1,827**	179
Others	**2**	5
	26,477	29,553

As at 31 December 2021, the Group had cash at bank and on hand amounting to approximately HK$21,921,000 (2020: HK$24,257,000) which were denominated in different currencies and held in the PRC. These cash and bank balances are subject to rules and regulations of foreign exchange control promulgated by the PRC government.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

(a) Trade payables

	2021 **HK$'000**	2020 HK$'000
Trade payables	**158,598**	172,856

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

	2021 **HK$'000**	2020 HK$'000
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
	158,598	172,856

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

	2021 **HK$'000**	2020 HK$'000
RMB	**115,891**	116,995
US$	**18,485**	27,703
HK$	**24,222**	24,221
Others	**–**	3,937
	158,598	172,856

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

(b) Other payables and accruals

	2021 HK$'000	2020 HK$'000
Other payable – third parties	**48,014**	45,256
Other payables – staff related expenses	**10,875**	15,772
Accrued payroll and welfare	**5,210**	17,558
Other payables for purchase of plant and machineries	**–**	3,385
Consideration received in advance *(Note (i))*	**–**	29,293
Government grant	**5,796**	8,201
Other payables – related parties *(Note 36(b))*	**64**	304
Other tax and surcharge payables	**8,719**	7,145
Interest payable	**445**	4,181
	79,123	131,095

Note:

(i) As at 31 December 2020, balance represented proceeds received in advance from the deemed disposal of equity interest in a subsidiary (Note 34(b)(ii)).

The carrying amounts of other payables and accruals are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**43,432**	68,875
HK$	**32,297**	49,284
US$	**3,394**	9,576
Others	**–**	3,360
	79,123	131,095

26. BANK AND OTHER BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Non-current		
Bank borrowings *(Note a)*	–	21,851
Other borrowings *(Note b)*	**70,200**	66,046
2020 Bonds *(Note c)*	–	3,599
	70,200	91,496
Current		
Bank borrowings *(Note a)*	**62,383**	129,651
Other borrowings *(Note b)*	**49,077**	93,000
2020 Bonds *(Note c)*	**3,600**	13,080
	115,060	235,731
	185,260	327,227

(a) Bank borrowings

As at 31 December 2021, bank borrowings bore average borrowing rate of 5.6% (2020: 6.0%).

As at 31 December 2021 and 2020, the Group's bank borrowings were repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**62,383**	129,651
Between 1 and 2 years	–	10,480
Between 2 and 5 years	–	11,371
	62,383	151,502

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The exposure of the Group's bank borrowings to interest rate changes at the end of the reporting period were as follows:

	2021	2020
	HK$'000	HK$'000
Fixed rates bank borrowings		
– 6 months or less	**34,019**	11,313
– Over 6 months	**28,364**	140,189
	62,383	151,502

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

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

	2021	2020
	HK$'000	HK$'000
RMB	**62,383**	151,502

As at 31 December 2021, the Group's bank borrowings were all secured (2020: Same). The Group is in compliance with all banking facilities.

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

As at 31 December 2021 and 2020, banking facilities of approximately HK$92,232,000 (2020: HK$169,325,000) were granted by banks to the subsidiaries of the Group, of which approximately HK$62,383,000 (2020: HK$151,502,000) have been utilised by the Group during the year. The Group has undrawn banking facilities of approximately HK$29,849,000 (2020: HK$17,823,000) as at 31 December 2021. As at the date of approval for issue of these consolidated financial statements, the respective unutilised banking facilities available for drawdown are HK$36,137,000 (equivalent to approximately RMB29,545,000). The facilities are secured by:

(i) corporate guarantee given by certain subsidiaries of the Group;

(ii) personal guarantee by directors of certain subsidiaries of the Group;

(iii) pledge of equity interests in certain subsidiaries of the Group;

(iv) certain buildings of the Group of HK$nil (2020: HK$80,968,000) (Note 16); and

(v) trade receivables of the Group of approximately HK$103,780,000 (2020: HK$158,016,000) (Note 21(a))

(b) Other borrowings

	2021 **HK$'000**	2020 HK$'000
Non-current		
Term loan *(Note (ii))*	**70,200**	65,000
Instalment loans *(Note (iii))*	**–**	1,046
	70,200	66,046
Current		
Bondholders loans *(Note (i))*	**12,000**	23,500
Term loan *(Note (ii))*	**36,000**	57,000
Instalment loans *(Note (iii))*	**1,077**	12,500
	49,077	93,000
	119,277	159,046

26. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Notes:

(i) Balances represented bondholders loans from certain ex-bondholders and an independent third party of HK$12,000,000 (2020: HK$23,500,000) which is denominated in HK$ and bearing interest at 10% per annum. As at 31 December 2021, the borrowing whose principal amount of HK$12,000,000 was overdue and in default. On 18 March 2022, the Group has repaid the amount of HK$12,000,000 in relation to the Overdue Borrowing.

(ii) Balances represented a two-year term loan with an initial principal amount of HK$140,000,000 which is denominated in HK$ and bearing interest at 5.5% per annum.

On 31 December 2021, the Group has successfully entered into a supplemental agreement with the lender. Pursuant to the supplemental agreement, the amounts of HK$1,000,000 will be repaid by the Group on 1 January 2022, the outstanding principal amount of total HK$20,000,000 will be repaid by monthly instalments of HK$2,500,000 on the last day of each month from February 2022 to September 2022, the outstanding principal amount of total HK$15,000,000 will be repaid by monthly instalments of HK$5,000,000 on the last day of each month from October 2022 to December 2022, while the outstanding principal amount of total HK$33,000,000 will be repaid by monthly instalments of HK$3,000,000 on the last day of each month from January 2023 to November 2023 with a final instalment of HK$37,200,000 to be repaid on 31 December 2023.

(iii) As at 31 December 2021, balance represented three-year instalment loan which is denominated in RMB with approximately RMB880,000 (equivalent to approximately HK$1,077,000) maturing in April 2022. As at 31 December 2020, balances represented three-year instalment loans which were denominated in RMB with approximately RMB8,843,000 (equivalent to approximately HK$10,508,000) maturing in September 2021 and approximately RMB2,557,000 (equivalent to approximately HK$3,038,000) maturing in April 2022. The three-year instalment loans bear interest at 6.7% per annum. The loans were utilised for the purpose of acquiring machineries for the Group's operation and are secured by the corresponding machineries acquired (Note 16).

(iv) On 25 August 2021, the Group has entered into a loan agreement with a shareholder, pursuant to which the shareholder has granted a RMB30,000,000 revolving facility to the Group for a term of twenty four months from the date of drawdown. As at 31 December 2021, the Group has not drawn down the facilities. Such facility is unsecured and bears interest at 8% per annum. As at the date of approval for issue of these consolidated financial statements, the Group has drawn down RMB1,000,000 and hence the respective unutilised facility is RMB29,000,000.

(v) On 25 August 2021, the Group has entered into loan facility agreements with two independent lenders, pursuant to which these two lenders have granted loan facilities with an aggregate amount of RMB20,000,000 to the Group. As at 31 December 2021, the Group has not drawn down the facilities. The Group can draw down the loan on or before 31 December 2023 and any outstanding loan amounts will be repayable on or before 31 December 2024. The Group shall pledge certain machineries and equipment when the loan facilities are drawdown, and the loan facilities bear interest at 8% per annum. As at the date of approval for issue of these consolidated financial statements, the Group has drawn down RMB1,000,000 and hence the respective unutilised facility is RMB19,000,000.

(vi) 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 report.

(vii) 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 report, the Group has fully drawn down RMB6,100,000.

26. BANK AND OTHER BORROWINGS (Continued)

(c) 2020 Bonds

On 28 March 2020, the Company has entered into subscription agreements with the relevant bondholders agreeing to redeem the outstanding convertible bonds issued in 2019 (as defined previously, the "**2019 Convertible Bonds**") and further issued eight bonds to each of the relevant bondholders in the principal amounts of HK$2,125,000 and HK$1,625,000, respectively, and bearing interest at 13.5% per annum (as defined previously, the "**2020 Bonds**"). Each 2020 Bond will be matured on respective maturity dates from 30 June 2020 to 31 March 2022 on a quarterly basis. The redemption of the 2019 Convertible Bonds and the issue of the 2020 Bonds have been completed on 29 May 2020. According to the subscription agreement, the 2020 Bonds were issued with warrants, the warrants are detachable from the 2020 Bonds and the 2020 Bonds and the warrants can be transferred individually and separately.

The fair value of the 2020 Bonds was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 34.8% which is based on market interest rates for a number of comparable bonds and certain parameters specific to the Company's non-performance risk. Subsequently, the 2020 Bonds were carried at amortised cost.

The fair value of warrants was derived by binomial model. The key unobservable inputs of the valuation were dividend yield of nil, risk free rate of 0.554% and volatility of 48.27%. The fair value of warrants was initially recognised at approximately HK$2,331,000 and was included in other reserves in equity. Derecognition of the equity component of 2019 Convertible Bonds of approximately HK$11,744,000 and the recognition of the warrants of approximately HK$2,331,000 resulted in a difference of approximately HK$9,413,000 being recorded in equity.

The fair value of 2020 Bonds and warrants as at 29 May 2020 is as follows:

	HK$'000
Fair value of 2020 Bonds – liability component	25,913
Fair value of warrants – equity component	2,331
	28,244

26. BANK AND OTHER BORROWINGS (Continued)

(c) 2020 Bonds (Continued)

Movements in the 2020 Bonds are analysed as follows:

	HK$'000
Issuance during the year	25,913
Interest expenses *(Note 12)*	3,997
Interest paid	(1,981)
Repayment of principal portion	(11,250)
At 31 December 2020	16,679
At 1 January 2021	**16,679**
Interest expenses *(Note 12)*	**3,693**
Interest paid	**(1,772)**
Repayment of principal portion	**(15,000)**
At 31 December 2021	**3,600**
Analysed by:	
Current portion	**3,600**

On 11 March 2022, the Group has successfully entered into 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 June 2023.

27. DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2021	2020
	HK$'000	HK$'000
Deferred tax liabilities:		
– To be realised after 12 months	–	246

The movement in deferred income tax account during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities		
	Acquisition of a subsidiary	**Accelerated tax depreciation**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2020	–	233	233
Exchange differences	–	(3)	(3)
Acquisition of a subsidiary *(Note 35(a))*	8	–	8
Charged to consolidated statement of profit or loss *(Note 13)*	–	8	8
At 31 December 2020	8	238	246
Exchange difference	–	4	4
Disposal of subsidiaries *(Note 34(a))*	(8)	(395)	(403)
Charged to consolidated statement of profit or loss *(Note 13)*	–	153	153
At 31 December 2021	**–**	**–**	**–**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses amounting to approximately HK$223,977,000 (2020: HK$202,452,000). Unrecognised tax losses of approximately HK$107,863,000 (2020: approximately HK$110,817,000) have no expiry date and the remaining tax losses will expire at various dates up to and including 2026 (2020: 2025).

According to the new CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when the PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

For the years ended 31 December 2021 and 2020, no deferred tax liabilities were recognised on the unremitted earnings of subsidiaries in the PRC as all the subsidiaries are in loss positions.

28. SHARE CAPITAL

	Number of shares '000	Total HK$'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**1,726,674**	**2,001,073**

29. OTHER RESERVES

	Translation reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	Warrants reserve HK$'000	Share–based payment reserve HK$'000	Capital reserve HK$'000	Transactions with non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	(5,583)	23,867	11,744	–	40,434	(51,406)	5,160	24,216
Other comprehensive income								
Exchange differences on translation of foreign operations	20,751	–	–	–	–	–	–	20,751
Total other comprehensive income for the year	20,751	–	–	–	–	–	–	20,751
Total transactions with owners in their capacity as owners								
Early redemption of 2019 Convertible Bonds and issue of 2020 Bonds and warrants *(Note 26(c))*	–	–	(11,744)	2,331	–	–	–	(9,413)
Recognition of share-based payment *(Note 30)*	–	–	–	–	1,663	–	–	1,663
Transactions with non-controlling interests	–	–	–	–	–	–	1,102	1,102
Total transactions with owners in their capacity as owners	–	–	(11,744)	2,331	1,663	–	1,102	(6,648)
Balance at 31 December 2020	15,168	23,867	–	2,331	42,097	(51,406)	6,262	38,319

29. OTHER RESERVES (Continued)

	Translation reserve HK$'000	Statutory reserve HK$'000	Warrants reserve HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Transactions with non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2021	15,168	23,867	2,331	42,097	(51,406)	6,262	38,319
Other comprehensive income							
Exchange differences on translation of foreign operations	16,290	–	–	–	–	–	16,290
Release of translation reserve upon disposal of subsidiaries	1,171	–	–	–	–	–	1,171
Total other comprehensive income for the year	17,461	–	–	–	–	–	17,461
Total transactions with owners in their capacity as owners							
Recognition of share-based payment *(Note 30)*	–	–	–	616	–	–	616
Transactions with non-controlling interests *(Note 34(b))*	1,758	–	-	–	–	16,063	17,821
Total transactions with owners in their capacity as owners	1,758	–	-	616	–	16,063	18,437
Balance at 31 December 2021	34,387	23,867	2,331	42,713	(51,406)	22,325	74,217

29. OTHER RESERVES (Continued)

Nature and purpose of reserves

(a) Translation reserve

Gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

(b) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the Mainland China now comprising the Group, it is required to allocate at least 10% of their after-tax profit according to the PRC accounting standard and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into registered capital in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

(c) Convertible bonds reserve

Amount of proceeds on issue of convertible bonds relating to the equity component.

(d) Warrants reserve

As stated in Note 26(c), on 28 March 2020, the Company has entered into subscription agreements with the bondholders of 2020 Bonds agreeing to redeem the outstanding 2019 Convertible Bonds. Pursuant to the subscription agreements, the Company issued 68,000,000 and 52,000,000 unlisted warrants to each of the bondholders of 2020 Bonds respectively. The contractual exercise prices of the warrants are HK$0.12 per subscription share. During the year, no warrants have been exercised.

(e) Share-based payment reserve

Cumulative expenses recognised on granting of share options to the Directors, senior management and employees over the vesting period.

30. SHARE-BASED PAYMENTS

The Company adopted a share option scheme ("**Share Option Scheme**"). The purposes of the Share Option Scheme are to attract, retain and motivate the grantees to strive for future developments and expansion of the Group. The Share Option Scheme was approved and adopted on 18 February 2013, pursuant to which selected participants may be granted options to subscribe for shares as indentures or rewards for their service rendered to the Group. Share options were granted to directors and selected employees of the Company.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the adoption date of the Share Option Scheme. Details of share options granted under the Share Option Scheme are as follows:

	Share options by grant date			
	29 May 2015	**26 October 2016**	**16 August 2018**	**31 May 2019**
Number of ordinary shares issued upon exercise:				
– Directors	2,500,000	6,000,000	–	–
– Senior management	26,000,000	20,000,000	5,000,000	17,000,000
– Employees	31,200,000	42,000,000	–	–
Exercise price	HK$1.21 (adjusted)	HK$0.53	HK$0.33	HK$0.19
Contractual option term	Seven years	Seven years	Seven years	Seven years
Expiry date	28 May 2022	25 October 2023	15 August 2025	30 May 2026

The vesting period of these share options ranges from one to five years. All these options are conditional in which one-fifth is vested and exercisable on every anniversary since the grant date of the respective share options.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

30. SHARE-BASED PAYMENTS (Continued)

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options by grant date			
	29 May 2015	26 October 2016	16 August 2018	31 May 2019
Range of fair value of options granted (HK$)	0.62-0.66	0.19-0.25	0.14-0.16	0.08-0.10
Weighted average share price at the grant date (HK$)	1.28	0.52	0.32	0.18
Expected volatility *(Note)*	56.49%	47.97%	49.45%	53.41%
Expected option life	7 years	7 years	7 years	7 years
Dividend yield	Nil	Nil	Nil	Nil
Annual risk-free interest rate	1.37%	0.75%	2.08%	1.41%

Note:

Expected volatility is assumed to be based on historical volatility of the comparable companies.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

30. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 31 December 2021 are as follows:

		Number of share options			
	Exercise price per share option HK$	As at 1 January 2021	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2021
Grant date					
29 May 2015	1.21 (adjusted)	**21,430,656**	**–**	**(3,321,751)**	**18,108,905**
26 October 2016	0.53	**29,500,000**	**–**	**(3,100,000)**	**26,400,000**
16 August 2018	0.33	**5,000,000**	**–**	**–**	**5,000,000**
31 May 2019	0.19	**17,000,000**	**–**	**–**	**17,000,000**
		72,930,656	**–**	**(6,421,751)**	**66,508,905**
Weighted average exercise price (HK$)					
Grant date					
29 May 2015		**1.21**	**–**	**1.21**	**1.21**
26 October 2016		**0.53**	**–**	**0.53**	**0.53**
16 August 2018		**0.33**	**–**	**–**	**0.33**
31 May 2019		**0.19**	**–**	**–**	**0.19**

30. SHARE-BASED PAYMENTS (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 31 December 2020 are as follows:

		Number of share options			
	Exercise price per share option HK$	As at 1 January 2020	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2020
Grant date					
29 May 2015	1.21 (adjusted)	27,324,082	–	(5,893,426)	21,430,656
26 October 2016	0.53	37,040,000	–	(7,540,000)	29,500,000
16 August 2018	0.33	5,000,000	–	–	5,000,000
31 May 2019	0.19	17,000,000	–	–	17,000,000
		86,364,082	–	(13,433,426)	72,930,656
Weighted average exercise price (HK$)					
Grant date					
29 May 2015		1.21	–	1.21	1.21
26 October 2016		0.53	–	0.53	0.53
16 August 2018		0.33	–	–	0.33
31 May 2019		0.19	–	–	0.19

No share options have been exercised by the option holders during the years ended 31 December 2021 and 2020.

During the year ended 31 December 2021, share-based payment expense of approximately HK$616,000 (2020: HK$1,663,000) for the Share Option Scheme was recognised in the consolidated statement of profit or loss and other comprehensive income (Note 8).

During the year ended 31 December 2021, none of the share options previously granted (2020: Nil) has been transferred from share-based payment reserve to accumulated loss upon the expiry of the share options.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**429,303**	624,485
Current assets		
Other receivables and prepayments	**263**	260
Cash and cash equivalents	**3**	6
	266	266
Current liabilities		
Other payables and accruals	**18,905**	17,715
2020 Bonds	**3,600**	13,080
Borrowings	**48,000**	80,500
	70,505	111,295
Net current liabilities	**(70,239)**	(111,029)
Total assets less current liabilities	**359,064**	513,456
Non-current liabilities		
2020 Bonds	**–**	3,599
Borrowings	**70,200**	65,000
	70,200	68,599
Net assets	**288,864**	444,857
EQUITY		
Share capital	**2,001,073**	2,001,073
Other reserves	**45,044**	44,428
Accumulated losses	**(1,757,253)**	(1,600,644)
Total equity	**288,864**	444,857

The statement of financial position of the Company was approved by the board of directors on 30 March 2022 and was signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Zhao Jindong
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Reserve movement of the Company

	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000
At 1 January 2020	40,434	11,744	–	(1,591,589)
Loss for the year	–	–	–	(18,468)
Early redemption of 2019 Convertible Bonds and issue of 2020 Bonds and warrants *(Note 26(c))*	–	(11,744)	2,331	9,413
Recognition of share-based payment	1,663	–	–	–
At 31 December 2020	42,097	–	2,331	(1,600,644)
At 1 January 2021	**42,097**	**–**	**2,331**	**(1,600,644)**
Loss for the year	**–**	**–**	**–**	**(156,609)**
Recognition of share-based payment	**616**	**–**	**–**	**–**
At 31 December 2021	**42,713**	**–**	**2,331**	**(1,757,253)**

32. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets other than goodwill	**67,107**	1,388
Goodwill	**143**	–
	67,250	1,388
Loan receivables from associates *(Note)*	**52,239**	2,283

Note:

Balance was included in "Other receivables – related parties" in Note 21(b).

32. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates are as follows:

Name of company	Form of business structure	Place of incorporation and business	Percentage of ownership interest	Principal activity
百勤能源科技(惠州)有限公司 ("**Petro-king Huizhou**")	Limited liability company	PRC	38.6%	Research & development of Petroleum engineering equipment and repair and maintenance of drilling, well completion equipment and Petroleum engineering equipment. Imports, exports, wholesale and deputize petroleum engineering equipment
百勤石油技術(惠州)有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.^) ("**Petro-king Technology**")	Limited liability company	PRC	38.6%	Provision of oilfield tools and equipment technology services and research and development in the PRC
Star Petrotech Pte. Ltd. ("**Star Petrotech**")	Limited liability company	Singapore	38.6%	Manufacturing and repairing of other oilfield and gas field machinery and equipment in Singapore
深圳市百勤近海油田服務有限公司 (Shenzhen Petro-king Jinhai Oil Field Services Co., Ltd.^)	Limited liability company	PRC	15.4%	Distribution of and provision of technology services for various equipment including petrochemical, oilfield, safety environmental and telecommunication etc. in the PRC

^ English name is for identification only.

The above associates are accounted for using equity method in the consolidated financial statements.

As set out in Note 34 to the financial statements, the Group completed the disposal of 14.62% equity interest in Petro-king Huizhou on 23 June 2021. Upon completion of the disposal, Petro-king Huizhou became an associate with 38.60% effective equity interest held by the Group. Further details of the disposal of subsidiaries are set out in Note 34.

32. INTERESTS IN ASSOCIATES (Continued)

The financial effect arising from the retained interest in Petro-king Huizhou and its subsidiaries was summarised as follows:

	2021 HK$'000
At the date became associates	
Group's effective interest	38.60%
Fair value of retained interest by the Group (Note 34 (a)(i))	61,179
Fair value of identifiable net assets	158,125
Group's share of net assets	61,036

Summarised financial information, adjusted to reflect adjustments made by the Group when using equity method, is presented below:

	2021 HK$'000
At 31 December	
Current assets	180,334
Non-current assets	195,575
Current liabilities	(152,048)
Non-current liabilities	(50,009)
Net assets	173,852
Group's share of net assets of associates	67,107

	2021 HK$'000
From the date became associates to 31 December	
Revenue	104,075
Expenses	(92,687)
Profit for the year	11,388
Other comprehensive income	4,340
Total comprehensive income	15,728

For the year ended 31 December 2021, the Group had made sales of approximately HK$11,221,000 (2020: HK$6,270,000) to and purchases of approximately HK$9,649,000 (2020: HK$nil) from associates.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2021 **HK$'000**	2020 HK$'000
Net book amount *(Note 16)*	372	2,673
Loss on disposal of property, plant and equipment *(Note 11)*	(372)	(1,893)
Proceeds from disposal of property, plant and equipment	–	780

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other note is:

- Acquisition of right-of-use assets of HK$937,000 (2020: HK$21,937,000) during the year ended 31 December 2021 (Note 18);

(c) Net debt reconciliation

	2021 **HK$'000**	2020 HK$'000
Pledged bank deposits	**969**	3,256
Cash and cash equivalents	**26,477**	29,553
Other payables – related parties	**(64)**	–
Leases liabilities	**(1,890)**	(24,155)
Bank and other borrowings	**(185,260)**	(327,227)
	(159,768)	(318,573)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net debt reconciliation (Continued)

Details and the movement of the net debt as at 31 December 2021 and 2020 are as follows:

	Other assets		Liabilities from financing activities						
	Cash and cash equivalents	Pledged bank deposits	Other payables – related parties	Lease liabilities	Bank and other borrowings – bank borrowings	Bank and other borrowings – other borrowings	Bank and other borrowings – 2019 Convertible Bonds	Bank and other borrowings – 2020 Bonds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	29,447	4,803	–	(12,742)	(93,808)	(197,794)	(27,865)	–	(297,959)
Financing cash flows	–	–	–	9,860	(48,032)	39,542	1,636	13,231	16,237
Investing cash flows	–	(1,746)	–	–	–	–	–	–	(1,746)
Decrease in cash and cash equivalents	(1,257)	–	–	–	–	–	–	–	(1,257)
Acquisition – leases	–	–	–	(21,937)	–	–	–	–	(21,937)
Foreign exchange adjustments	1,363	199	–	(171)	(9,662)	(794)	–	–	(9,065)
Other non-cash movements *(Note)*	–	–	–	835	–	–	26,229	(29,910)	(2,846)
As at 31 December 2020	29,553	3,256	–	(24,155)	(151,502)	(159,046)	–	(16,679)	(318,573)
As at 1 January 2021	**29,553**	**3,256**	**–**	**(24,155)**	**(151,502)**	**(159,046)**	**–**	**(16,679)**	**(318,573)**
Financing cash flows	**–**	**–**	**(64)**	**6,661**	**59,884**	**39,858**	**–**	**15,000**	**121,339**
Investing cash flows	**–**	**(2,351)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,351)**
Increase in cash and cash equivalents, excluding cash outflows from disposal of subsidiaries	**323**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**323**
Acquisition – leases	**–**	**–**	**–**	**(937)**	**–**	**–**	**–**	**–**	**(937)**
Disposal of subsidiaries *(Note 34(a))*	**(4,991)**	**–**	**–**	**16,477**	**37,435**	**–**	**–**	**–**	**48,921**
Foreign exchange adjustments	**1,592**	**64**	**–**	**(120)**	**(8,200)**	**(79)**	**–**	**–**	**(6,743)**
Interest paid under operating cash flows	**–**	**–**	**–**	**621**	**9,207**	**9,476**	**–**	**1,772**	**21,076**
Other non-cash movements *(Note)*	**–**	**–**	**–**	**(437)**	**(9,207)**	**(9,486)**	**–**	**(3,693)**	**(22,823)**
As at 31 December 2021	**26,477**	**969**	**(64)**	**(1,890)**	**(62,383)**	**(119,277)**	**–**	**(3,600)**	**(159,768)**

Note:

For the year ended 31 December 2021, other non-cash movements includes lease modification, accrued interest expenses of lease liabilities, bank and other borrowings, and 2020 Bonds.

For the year ended 31 December 2020, other non-cash movements includes lease modification, COVID-19 related rent concessions, accrued interest expenses of lease liabilities, convertible bonds and 2020 Bonds, and early redemption of 2019 Convertible Bonds.

34. DISPOSAL OF SUBSIDIARIES

(a)(i) Disposal of Petro-king Huizhou

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

	HK$'000
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)
Net assets disposal of	119,123
Release of non-controlling interests	(52,567)
Release of translation reserve	1,171
	67,727
Fair value of retained interest which became investment in associates	(61,179)
Gain on disposal of subsidiaries	23,497
Cash consideration	30,045
Net cash inflows from disposal:	
Cash consideration	30,045
Cash and cash equivalents disposed	(4,991)
	25,054

34. DISPOSAL OF SUBSIDIARIES (Continued)

(a)(ii) Discontinued Operations

The revenue, results and cash flows of Petro-king Huizhou were as follows:

	Notes	**1 January to 23 June 2021 HK$'000**	1 January to 31 December 2020 HK$'000
Revenue	*6*	**69,828**	81,941
Other income	*7*	**1,115**	625
Operating costs			
Material costs	*20*	**(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	*18(b)*	**(1,664)**	(940)
Employee benefit expenses	*8*	**(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	*10*	**(5,514)**	(15,012)
Net impairment loss on financial assets	*21*	**–**	(211)
Write off of property, plant and equipment	*16*	**–**	(6,416)
Other gains/(losses), net	*11*	**(3,047)**	794
Operating loss		**(79)**	(55,046)
Finance income	*12*	**16**	12
Finance costs	*12*	**(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	*13*	**(6)**	(3)
Loss after income tax expense from discontinued operations		**(2,579)**	(57,751)
Gain on disposal of subsidiaries		**23,497**	–
Tax expense relating to gain on disposal	*13*	**(3,021)**	–
Profit/(loss) for the year from discontinued operations		**17,897**	(57,751)

34. DISPOSAL OF SUBSIDIARIES (Continued)

(a)(ii) Discontinued Operations (Continued)

	2021 HK$'000	2020 HK$'000
Cash flows from discontinued operations:		
Net cash generated from/(used in) operating activities	**15,310**	(76,645)
Net cash used in investing activities	**(49,330)**	(15,580)
Net cash generated from financial activities	**52,547**	73,529
Net increase/(decrease) in cash and cash equivalents	**18,527**	(18,696)

A profit of approximately HK$23,497,000 arose on the disposal of Petro-king 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.

Petro-king Huizhou are principally engaged in manufacturing of oilfield related products. The disposal of Petro-king Huizhou constitute discontinued operation as it represent a separate major line of business. For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and other 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.

(b) Deemed disposal of certain subsidiaries

(i) On 10 February 2021, an indirect wholly owned subsidiary of the Company completed the disposal of its entire equity interest of a subsidiary to another subsidiary, which the Company have an indirect equity interest of 70%, at a cash consideration of US$6.58 million (equivalent to approximately HK$51 million), the Group's effective equity interest in this subsidiary was then reduced from 100% to 70% upon completion without a loss of control. Accordingly, the Group recognised a decrease in non-controlling interests of approximately HK$4,383,000 and an increase in equity attributable to owners of the Company of approximately HK$4,383,000 directly in equity.

(ii) On 29 March 2021, the capital contribution of RMB41,000,000 made by various parties to a subsidiary which the Company had 70% equity interest has completed. Upon the completion of the capital contribution, the Group's equity interest in that subsidiary was reduced from 70% to 53.22% without a loss of control. The Group recognised an increase in non-controlling interests of approximately HK$29,238,000 and an increase in equity attributable to owners of the Company of approximately HK$9,650,000. The consideration of approximately HK$29,293,000 has been received in prior year, while the remaining consideration of approximately HK$19,218,000 has been received during the year.

(iii) On 30 April 2021, the Group entered into agreement with a company established in the PRC of which Mr. Zhao Jindong has 50% equity interest for capital injection of RMB2,000,000 in an indirect wholly-owned subsidiary of the Company. The capital increase was completed on 18 May 2021. Upon the completion of the capital increase, the Group's equity interest in that wholly-owned subsidiary was reduced from 100% to 80% without a loss of control. The Group recognised an increase in non-controlling interests of approximately HK$2,429,000. The consideration of approximately HK$1,164,000 has been received during the year, the remaining consideration of approximately HK$1,265,000 has been included in "other receivables, deposits and prepayments" (Note 21(b)).

34. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Deemed disposal of certain subsidiaries (Continued)

(iv) On 30 April 2021, the Group entered into agreement with an independent third party for capital injection of RMB2,000,000 in increasing the registered capital of another indirect wholly-owned subsidiary of the Company. The capital increase was completed on 26 May 2021. Upon the completion of the capital increase, the Group's equity interest was reduced from 100% to 80% without a loss of control. The Group recognised a decrease in non-controlling interests of approximately HK$1,350,000 and an increase in equity attributable to owners of the Company of approximately HK$3,788,000. The consideration of approximately HK$2,095,000 has been received during the year, the remaining consideration of approximately HK$343,000 has been included in "other receivables, deposits and prepayments" (Note 21(b)).

35. ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

(a) Acquisition of Shenzhen Sude Technology Co., Ltd. ("Shenzhen Sude")

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

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

	HK$'000
Property, plant and equipment *(Note 16)*	55
Inventories	733
Trade and other receivables	13,360
Bank and cash balances	18
Trade and other payables	(3,739)
Deferred tax liabilities *(Note 27)*	(8)
Non-controlling interests	(5,166)
Net identifiable assets and liabilities acquired	5,253
Gain on bargain purchase *(Note 11)*	(142)
Total non-cash consideration at fair value	5,111
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	18

There is no acquisition-related costs to be expensed off.

36. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the years ended 31 December 2021 and 2020, and balances arising from related party transactions as at 31 December 2021 and 2020.

Name	Relationships
Mr. Wang Jinlong	Shareholder and director
Mr. Zhao Jindong	Director
Mr. Huang Yu	Director
Mr. Lee Tommy	Director
Ms. Ma Hua	Director
Mr. Wong Shiu Kee	Director
Mr. Leung Lin Cheong	Director
Mr. Tong Hin Wor	Director
Mr. Xin Junhe	Director
Mr. Chan Kwok Yuen Elvis	Senior management
Mr. Wang Xingkai	Close members of the family of Mr. Wang JinLong
Ms. Zhou Sisi	Close members of the family of Mr. Wang JinLong

(a) Key management compensation

Key management personnel are deemed to be the members of the board of directors and senior management of the Company who have the responsibility for the planning and controlling the activities of the Group.

	2021 **HK$'000**	2020 HK$'000
Salaries and other short-term employee benefits	**5,073**	5,712
Share-based payments	**432**	866
	5,505	6,578

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	Note	**2021 HK$'000**	2020 HK$'000
Loan receivables from related parties *(Note 21(b))*	*(i)*	**52,239**	–
Amounts due from related parties *(Note 21(b))*	*(ii)*	**774**	7,859
Amounts due to related parties *(Note 25(b))*	*(iii)*	**(64)**	(304)

Notes:

(i) As at 31 December 2021, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US$3,217,000 (equivalent to approximately HK$25,086,000) and RMB14,200,000 (equivalent to approximately HK$17,368,000) as at 31 December 2021 respectively. Such loan facilities are unsecured and bear interest at 8% per annum, and all the outstanding balances shall be repaid on or before 31 December 2022.

Apart from abovementioned, the remaining balance comprised of remaining consideration of approximately RMB8,000,000 (equivalent to approximately HK$9,785,000) in relation to transfer of 100% equity interest of a subsidiary of the Company completed in 2019. The balance was unsecured and interest-free as at 31 December 2021, while the balance would become unsecured and bear interest at 8% per annum since 1 January 2022, and all the outstanding balances shall be repaid on or before 31 December 2022.

(ii) As at 31 December 2021, the balances mainly comprise of receivables from non-controlling interests and other related parties (2020: advance to the Directors and senior management, receivables from a non-controlling shareholder, an associate and other related parties). The balances are unsecured, interest-free and repayable on demand.

(iii) The balances mainly comprise of expenses paid on behalf by the Directors and senior management. The balances are unsecured, interest-free and repayable on demand.

36. RELATED PARTY TRANSACTIONS (Continued)

(c) Related party transactions

Saved as disclosed elsewhere to the consolidated financial statements, the Group had entered into the following significant transactions with related parties for the year:

(i) Disposal of Petro-king Huizhou

Name of related parties	Relationship	Nature of transaction	Year ended 31 December **2021** **HK$'000**	 2020 HK$'000
Mr. Wang Jinlong, Mr. Wang Xingkai and Ms. Zhou Sisi	A substantial shareholder and a director of the Company, and the close members of his family	Consideration for disposal of Petro-king Huizhou (Note 34(a)(i))	**30,045**	–

(ii) As at 31 December 2021, the Group has provided corporate guarantees for certain banking facilities granted to Petro-king Huizhou which were secured by properties held by Petro-king Huizhou. As at 31 December 2021, the Group's exposure under the corporate guarantees provided to Petro-king Huizhou was approximately RMB16,378,000 (equivalent to approximately HK$20,032,000), with 1.0% per annum financial guarantee income of approximately HK$77,000 during the year. In the opinion of the Directors, no provision for the obligation of the Group under corporate guarantees have been made as the banking facilities granted to Petro-king Huizhou were fully covered by the secured properties.

(iii) On 30 April 2021, the Group entered into agreement with a company established in the PRC of which Mr. Zhao Jindong has 50% equity interest for capital injection of RMB2,000,000 in an indirect wholly-owned subsidiary of the Company (Note 34(b)(iii)).

(iv) All the above transaction was entered into at terms mutually agreed with the related parties in the ordinary course of the Group's business.

37. PERFORMANCE BONDS

	2021 **HK$'000**	2020 HK$'000
Performance bonds *(Note)*	**336**	328

Note:

Performance bonds related to the guarantees provided by the banks to the Group's customers in respect of the sales of tools and equipment or provision of services in overseas projects. In the event of non-performance, the customers might call upon the performance bonds and the Group would be liable to the banks in respect of the performance bonds provided.

38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may price their services adequately in accordance with their pricing policy, secure access to financing at reasonable costs, obtain borrowings from financial institutions or related parties, and issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated statement of financial position) less total cash (including "pledged bank deposits" and "cash and cash equivalents" as shown in the consolidated statement of financial position). Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The Group's strategy was to maintain a gearing ratio within 50%. The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 **HK$'000**	2020 HK$'000
Bank and other borrowings *(Note 26)*	**185,260**	327,227
Lease liabilities *(Note 18)*	**1,890**	24,155
Less:		
Pledged bank deposits *(Note 23)*	**(969)**	(3,256)
Cash and cash equivalents *(Note 24)*	**(26,477)**	(29,553)
Net debt	**159,704**	318,573
Total equity	**290,679**	354,416
Total capital	**450,383**	672,989
Gearing ratio	**35%**	47%

39. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the directors and the major shareholders. Management has identified and evaluated financial risks in close cooperation with the major shareholders. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. These policies and procedures enable management to make strategic and inform decision with regard to the operations of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in currency that is not the entity's functional currency.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates the risk by maintaining US$ and RMB bank accounts to pay for the transactions denominated in these currencies. The amounts of assets and liabilities denominated in each currency can be seen in the relevant notes.

At 31 December 2021, if HK$ had weakened/strengthened by 1% against the US$ with all other variables held constant, net post-tax loss for the year would have been approximately HK$663,000 lower/higher (2020: HK$283,000 lower/higher) as a result of foreign exchange gains or losses on translation of US$ denominated net financial assets.

At 31 December 2021, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, net post-tax loss for the year would have been approximately HK$10,318,000 lower/higher (2020: HK$2,829,000 lower/higher) as a result of foreign exchange gains or losses on translation of RMB denominated net financial assets.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank and other borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

The Group's practice is to manage its interest income/cost through monitoring and reviewing interest rate changes in the market and its impact to the Group's financial performance. As at 31 December 2020 and 31 December 2021, there was no bank and other borrowings at variable rates.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and pledged bank deposits, as well as credit exposures to the customers, including outstanding receivables and committed transactions.

(i) Risk management

To manage risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with state-owned or reputable financial institutions in the PRC and the reputable international financial institutions outside of the PRC. There has been no history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that sales of its services and products are made to customers with sufficient level of creditworthiness and the Group generally grants its customers a credit term of up to three months.

Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. The Group maintains different billing policies for different customers based on the negotiated terms with each customer. The Group will issue progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment and due date of payment varies from contract to contract. The Group negotiates with those debtors with overdue balances to agree a repayment schedule by both parties and regularly evaluates the credit quality of its debtors to assess the necessity to revise the credit term.

The credit risk of the other receivables is managed on group basis, taking into account the historical default experience and the future prospectus of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default in each of these counterparties, as well as the loss upon default in each case.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the ECL model:

- trade receivables;
- contract assets;
- other receivables and deposits;
- pledged bank deposit; and
- cash and cash equivalents.

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under IFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECLs, trade receivables and contract assets have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2021, the ECL rate is determined according to a provision matrix as follows:

Trade receivables as at 31 December 2021	Current	Up to 3 months past due	3 to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ECL rates	**2%**	**2%**	**4%**	**7%**	**18%**	
Gross carrying amount – trade receivables	**68,883**	**16,176**	**9,127**	**32,489**	**77,025**	**203,700**
Loss allowance	**(1,623)**	**(378)**	**(392)**	**(2,156)**	**(14,161)**	**(18,710)**
Net carrying amount – trade receivables	**67,260**	**15,798**	**8,735**	**30,333**	**62,864**	**184,990**

As at 31 December 2021, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2021	Total
	HK$'000
ECL rates	4%
Gross carrying amount – contract assets	24,703
Loss allowance	(976)
Net carrying amount – contract assets	23,727

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2020, the ECL rate is determined according to a provision matrix as follows:

Trade receivables as at 31 December 2020	Current HK$'000	Up to 3 months past due HK$'000	3 to 6 months past due HK$'000	6 to 12 months past due HK$'000	Over 12 months past due HK$'000	Total HK$'000
ECL rates	1%	1%	1%	2%	74%	
Gross carrying amount						
– trade receivables	139,121	30,336	33,909	38,007	8,707	250,080
Loss allowance	(1,502)	(303)	(339)	(621)	(6,471)	(9,236)
Net carrying amount						
– trade receivables	137,619	30,033	33,570	37,386	2,236	240,844

As at 31 December 2020, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2020	Total HK$'000
ECL rates	1%
Gross carrying amount – contract assets	119,678
Loss allowance	(1,210)
Net carrying amount – contract assets	118,468

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables and deposits

Other receivables and deposits are measured as either 12-month ECLs or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECLs. As at 31 December 2021, the Group's allowance for impairment of other receivables approximate to HK$39,200,000 (2020: HK$39,200,000) in view of the increase in the credit risk during the year.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of receiving additional cash.

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The Group reported a loss from continuing operations of approximately HK$94,629,000 during the year ended 31 December 2021, and as of the date, the Group had total current bank and other borrowings amounted to 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 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 have prepared the Forecast. 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 summarised in Note 3(b)(ii) to the consolidated financial statements.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Fair values of balances due less than one year appropriate their carrying balances as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021					
Trade payables	**158,598**	**–**	**–**	**–**	**158,598**
Other payables and accruals	**64,608**	**–**	**–**	**–**	**64,608**
Bank and other borrowings and interest payments	**122,358**	**73,149**	**–**	**–**	**195,507**
Lease liabilities and interest payments	**1,672**	**284**	**–**	**–**	**1,956**
	347,236	**73,433**	**–**	**–**	**420,669**
At 31 December 2020					
Trade payables	172,856	–	–	–	172,856
Other payables and accruals	131,095	–	–	–	131,095
Bank and other borrowings and interest payments	252,954	83,616	11,793	–	348,363
Lease liabilities and interest payments	11,117	6,480	3,603	8,388	29,588
	568,022	90,096	15,396	8,388	681,902

40. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2021 HK$'000	2020 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade receivables *(Note 21(a))*	**184,990**	240,844
Other receivables and deposits	**77,712**	33,337
Pledged bank deposits *(Note 23)*	**969**	3,256
Cash and cash equivalents *(Note 24)*	**26,477**	29,553
Financial assets at fair value		
Financial asset at FVTPL *(Note 19)*	**8,587**	8,360
Total	**298,735**	315,350
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade payables *(Note 25(a))*	**158,598**	172,856
Other payables and accruals	**64,608**	131,095
Bank and other borrowings *(Note 26)*	**185,260**	327,227
Lease liabilities *(Note 18)*	**1,890**	24,155
Total	**410,356**	655,333

41. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value at 31 December 2021 and 2020, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2021	2020
	HK$'000	HK$'000
Asset		
Financial asset at FVTPL		
– listed equity investment	**6,263**	6,102
– unlisted equity investment *(Note)*	**2,324**	2,258
	8,587	8,360

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

41. FAIR VALUE ESTIMATION (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note:

As at 31 December 2021 and 2020, the underlying assets of the unlisted equity investment would primarily consisting of cash and cash equivalents in which the fair value approximates to the carrying value as at 31 December 2021 and 2020.

The following table presents the changes in level 3 instruments for the years ended 31 December 2021 and 2020.

	2021	2020
	HK$'000	HK$'000
At 1 January	**8,360**	7,298
Change in fair value	**157**	920
Exchange difference	**70**	142
At 31 December	**8,587**	8,360
Total gains for the year included in profit or loss at the end of the year *(Note 11)*	**157**	920

42. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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 Petro-king Huizhou, whereby the PRC Subsidiaries agreed to purchase from the Petro-king Huizhou Group, and the Petro-king 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 report, 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 report.

43. SUBSIDIARIES

As at 31 December 2021 and 2020, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Country of incorporation, kind of legal entity and date of incorporation	Particulars of issued share capital/ registered capital	Interest held Directly	Interest held Indirectly	Principal activities and place of operation
Petro-king Holding Limited	Hong Kong, Limited liability company 13 September 2007	HK$10,000 issued share capital	100%	–	Investment holding in Hong Kong
Petro-king International Co., Limited	Hong Kong, Limited liability company 14 July 2003	HK$5,000,000 issued share capital	100%	–	Provision for oilfield project tools and services and consultancy services in the PRC, Russia and the Middle East, etc.
深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited)	The PRC, Limited liability company (wholly foreign owned enterprise) 26 April 2002	Registered capital of RMB151,300,000	–	100%	Provision for oilfield project tools and services and consultancy services in the PRC, etc.
深圳市百勤鑽井技術有限公司	The PRC, Limited liability company 25 December 2020	Registered capital of RMB10,000,000 (2020: RMB20,000,000)	–	80% (2020:100%)	Trading of tools and equipment and provision of drilling service in the PRC
百勤(重慶)油氣工程技術服務有限公司	The PRC, Limited liability company (wholly foreign owned enterprise) 28 August 2013	Registered capital of RMB10,000,000 (2020: RMB20,000,000)	–	80% (2020:100%)	Trading of tools and equipment and provision of engineering and technical services in the PRC
Petro-king Group Middle East Corporation FZCO	The United Arab Emirates, Limited liability company 9 June 2014	100 shares of AED 1,000 each	–	100%	Trading of oilfield tools and equipment in the Middle East
百勤石油(深圳)有限公司	The PRC, Limited liability company 8 November 2013	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC