2022

Annual Report

PETRO-KING OILFIELD SERVICES LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2178

Petro-king
百勤油服

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FINANCIAL HIGHLIGHT

Operating Figures

For the year ended 31 December	2022 HK$'000	2021 HK$'000	Change	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**313,771**	163,967	91.4%	307,993	478,245	258,932
Operating (loss)/profit	**(24,322)**	(80,523)	-69.8%	1,868	(60,717)	(602,681)
Loss for the year from continuing operations	**(27,540)**	(94,629)	-70.9%	(20,978)	(87,378)	(624,071)
Profit/(loss) for the year from discontinued operations	**–**	17,897	-100%	(57,751)	–	–
Loss for the year	**(27,540)**	(76,732)	-64.1%	(78,729)	(87,378)	(624,071)
Loss per share						
Basic (HK$ cents)	**(1.7)**	(4.7)	-63.8%	(4.2)	(5.0)	(36)
Diluted (HK$ cents)	**(1.7)**	(4.7)	-63.8%	(4.2)	(5.0)	(36)

Consolidated Balance Sheet

As at 31 December	2022 HK$'000	2021 HK$'000	Change	2020 HK$'000	2019 HK$'000	2018 HK$'000
Total assets	**823,412**	716,490	14.9%	1,018,689	966,588	983,897
Non-current assets	**370,423**	321,065	15.4%	493,653	513,472	535,771
Current assets	**452,989**	395,425	14.6%	525,036	453,116	448,126
Total liabilities	**561,677**	425,811	31.9%	664,274	560,873	520,277
Non-current liabilities	**134,399**	70,474	90.7%	105,746	35,866	216,690
Current liabilities	**427,278**	355,337	20.2%	558,528	525,007	303,587
Net current assets/(liabilities)	**25,711**	40,088	-35.9%	(33,492)	(71,891)	144,539
Net assets	**261,735**	290,679	-10.0%	354,416	405,715	463,620

Financial Indicators

For the year ended 31 December	2022	2021	2020	2019	2018
Trade receivables turnover days *(Note 1)*	**236**	451	226	171	432
Inventory turnover days *(Note 1)*	**96**	667	197	229	335
Trade payables turnover days *(Note 1)*	**377**	954	265	260	352
Current ratio	**1.06**	1.11	0.94	0.86	1.48
Gearing ratio *(Note 2)*	**42.2%**	35.5%	47.3%	42.3%	33.9%
Return on Equity *(Note 3)*	**-10.0%**	-23.8%	-20.7%	-20.1%	-78.6%

Note 1: Comparative figures for 2021 are based on published financial figures from continuing operations.

Note 2: Based on net debt over total capital.

Note 3: Based on the loss for the year over the average of the total equity at the beginning and end of the financial year.

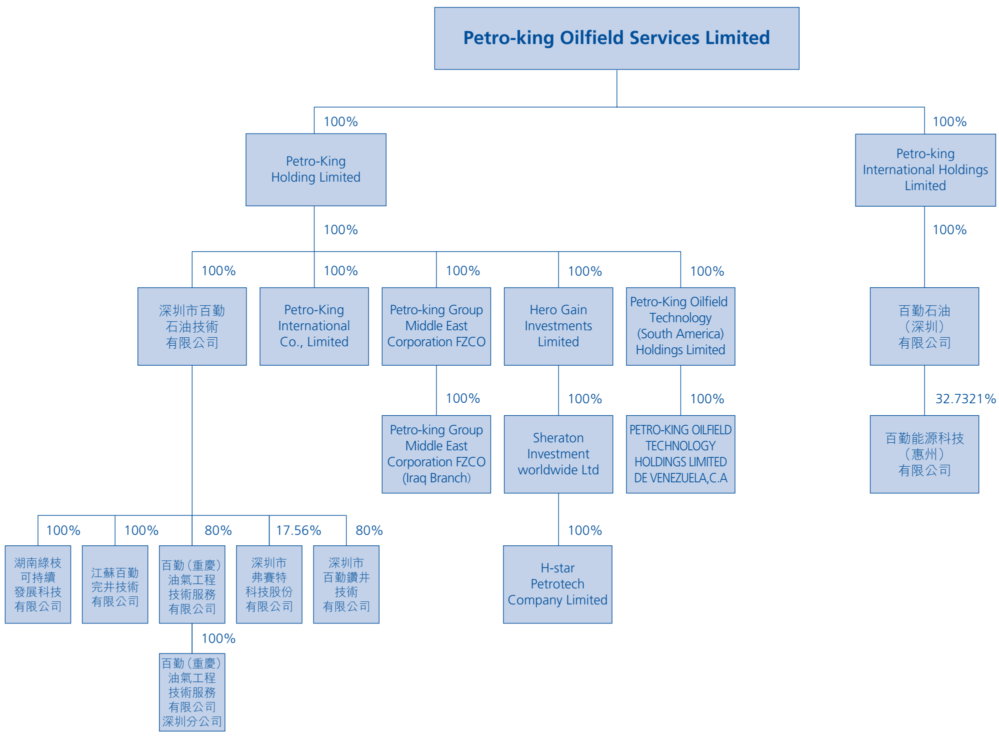
CORPORATE PROFILE

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 production enhancement, drilling, consultancy and integrated project management with auxiliary activities in the 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 2022



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 2022 (the "**Year**" or "**2022**").

OVERVIEW

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

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

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

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

OUTLOOK

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

Since the completion of the Petro-king Huizhou transactions in the second quarter of 2021, the Group has been focused on the provision of production enhancement services, drilling services, consultancy services and integrated project management services for oilfields and gas fields, with auxiliary activities in the trading of oilfield and gas field related products as its principal activities.

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

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, 27 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

GEOGRAPHICAL MARKET ANALYSIS

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

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

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

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

REVENUE FROM THE CHINA MARKET

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

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

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

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

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

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

REVENUE FROM THE OVERSEAS MARKET

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

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

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

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

OPERATING SEGMENT ANALYSIS

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

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

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

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

Oilfield Project Tools and Services

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

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

Production Enhancement

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

Drilling

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

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

Well Completion

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

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

CUSTOMER ANALYSIS

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

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

FINANCIAL REVIEW

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

Revenue

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

Material Costs

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

Depreciation of Property, Plant and Equipment

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

Technical Service Fees

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

Entertainment and Marketing Expenses

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

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

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

Impairment Loss on Goodwill

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

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

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

Other Gains and Losses, Net

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

Operating Loss

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

Finance Costs, Net

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

Share of Net Profits of Associates

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

Loss for the Year

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

Loss for the Year Attributable to Owners of the Company

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

Property, Plant and Equipment

Property, plant and equipment mainly include items such as buildings, plant and machinery, service equipment, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 31 December 2022, the Group's property, plant and equipment amounted to approximately HK$163.7 million, which increased by approximately HK$6.1 million or approximately 3.9% from approximately HK$157.6 million as at 31 December 2021. The increase mainly due to the purchase of 8 new mechanical fracturing trucks during the Year, partly offset by the disposal of 4 hydraulic fracturing trucks and the depreciation expense charged during the Year.

Interests in Associates

As at 31 December 2022, the Group's interests in associates amounted to approximately HK$73.7 million, representing an increase of approximately HK$6.4 million as compared with that of approximately HK$67.3 million as at 31 December 2021. As at 31 December 2022, the fair value of the Group's interest in Petro-king Huizhou was approximately HK$73,724,000, which represented approximately 9.0% (2021: 9.4%) of the Group's total assets. In addition, the Group has loan receivables of approximately HK$46,030,000 due from Petro-king Huizhou and its subsidiaries as at 31 December 2022 (2021: HK$52,239,000). Further details of the Group's interests in associates are set out in note 32 to the consolidated financial statements. Petro-king 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 Petro-king Huizhou as a long term strategic investment.

Other Receivables and Deposits

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

Inventories

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

Trade Receivables

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

Contract Assets

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

Trade Payables

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

Liquidity and Capital Resources

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

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

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

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

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 42.2% (2021: 35.5%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated financial information) less total cash (including "pledged bank deposits" and "cash and cash equivalents" as shown in the consolidated financial information). Total capital is calculated as "equity" as shown in the consolidated financial information plus net debt.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ and RMB. Foreign exchange risk mainly arises from trade and other receivables, cash and cash equivalents, trade and other payables, intra-group balance and bank borrowings in foreign currencies. The Group has not used any financial instrument for hedging purposes during the Year.

Capital Commitment

As at 31 December 2022, the Group did not have any capital commitment (2021: Nil).

Off-balance Sheet Arrangements

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

Significant Events after the End of the Year

Other than those disclosed in Note 41 to the consolidated financial information in this report, no other significant event has occurred after the end of the Year and up to the date of this report.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures with detailed requirements on compensation, dismissal, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged a series of training courses that cover technical update of drilling and completion technology, technical practice training, control at wells and environment management. We have also worked with external organisations such as unions and consultants to provide trainings for the specific needs of the Group's operations. The Group arranged 108 trainings consisting of more than 8,328 hours in total and 186 employees attended these training programs in 2022.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. Employee remuneration and bonus were determined with reference to the prevailing market conditions, the staffs' expertise, qualifications and their duties and responsibilities in the Group's affairs. In addition, the Group had adopted a share option scheme 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. The total headcount was 248 employees as at 31 December 2022, which increased by approximately 16.4% as compared with that of 213 employees as at 31 December 2021. The number of employees increased in 2022 as additional technicians were hired to cope with the increase in production enhancement services provided by the Group.

RESEARCH AND DEVELOPMENT

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

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

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

SCOPE AND REPORTING PERIOD

This 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**"), highlights 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 2022 to 31 December 2022 (the "**Reporting Period**"), unless otherwise stated. This report covers the Group's major business operation in the headquarter office in Shenzhen, the PRC, namely Petro-king Oilfield Technology Limited (深圳市百勤石油技術有限公司, hereafter "**Shenzhen office**"). The office manages and oversees the overall business operation of the Group, which contributed approximately 90.72% of the Group's total revenue during the Reporting Period.

There were no major operational changes in the scope of this report compared with that for the period from 1 January 2021 to 31 December 2021 (the "**Last Reporting Period**").

Reporting Principles

The preparation of the ESG report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative – key performance indicators ("**KPI**"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Balance – The Group's performance during the reporting period has been presented impartially, avoiding choices, omissions, or presentation formats that may unduly influence readers' decisions or judgements.

THE GROUP'S SUSTAINABILITY COMMITMENT

The Group has formulated an occupational health, safety and environmental (the "**HSE**") policy as an integral part of the Group and formalizes the commitment to operating responsibly. In addition to complying with regulatory requirements, the Group takes pride in its pursuit of continuous improvement for workplace safety, environmental protection, and operating practice, to earn the trust of the customers, shareholders, and the public.

The Group is committed to:

- achieving an injury-free operation;
- protecting the natural environment;
- using materials and energy efficiently in product and service delivery;
- applying the best safety practices to the operations;
- improving HSE performance as an integral part of Group's operational strategy; and
- promoting a culture in which all the employees within the Group share a common commitment to achieve goals.

The Group regularly reviews the HSE policy and will update it as appropriate.

SUSTAINABILITY GOVERNANCE

The Board of Directors ("**the Board**") has overall responsibility for the Group's sustainability strategy and reporting. 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's 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 Group has set up an ESG Task Force which comprises senior management staff to promote the management of ESG issues within the Group's operations. When critical ESG issues have been identified, the ESG task force shall report directly to the Board for discussion.

Furthermore, the Board identified the ESG material topics relating to the Group and determined the priority of these issues by conducting an online survey with the assistance of a third-party consultant. Results of the online survey are used to conduct the materiality assessment for selecting important issues to the Group considered by both internal and external stakeholders for targeted management and disclosure.

MOVING TOWARDS A SUSTAINABLE FUTURE

The Petrochemical sector is a main contributor of carbon emissions in the world. As an oilfield and gas field technology services provider, the Group is aware of the environmental impacts during the production of oil and gas, and the potential risks to the Group's operation brought by the transition to a low-carbon economy. Setting ESG-related goals ensures the sustainable operation and long-term business growth of the Group. The Group has set several sustainability-related targets, including targets on emission reduction and energy saving. The progress of implementing ESG-related targets is closely reviewed by the Group through various means such as meetings, inspections, and regularly monitoring the performances of production facilities etc. The ESG Task Force will review the environmental targets and evaluate the ESG performance annually.

In addition to improving the Group's environmental performance, the Group endeavors to deliver high quality products and services, safeguard employee's occupational health and safety, and closely monitor supply chain risk to conduct the business in an environmentally and socially responsible manner.

PRODUCTS AND SERVICES:

- Provide more trainings for employees
- Service operation plan must be reviewed and approved before implementation, and the project manager will check and evaluate the implementation of the operation plan during the operation process
- Ensure technical engineers and customer technical department maintain close communication to meet the requirements of customers.

OCCUPATIONAL HEALTH AND SAFETY:

- Provide more HSE training for company employees;
- Regularly inspect and evaluate the implementation of the company's HSE management procedures at operation site;
- Organize emergency drills at the operation site;
- Implement HSE risk identification and hierarchical management within the company. Implement the HSE responsibility system required by the state.

SUPPLY CHAIN MANAGEMENT:

- Refine and enhance environmental and social responsibility requirements for suppliers
- Conduct annual evaluation the environmental and social performance of suppliers

AWARDS AND RECOGNITIONS

The Group is currently a member of the International Association of Drilling Contractors ("**IADC**") and Shenzhen Ocean Petroleum Services Association of Enterprises. 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:

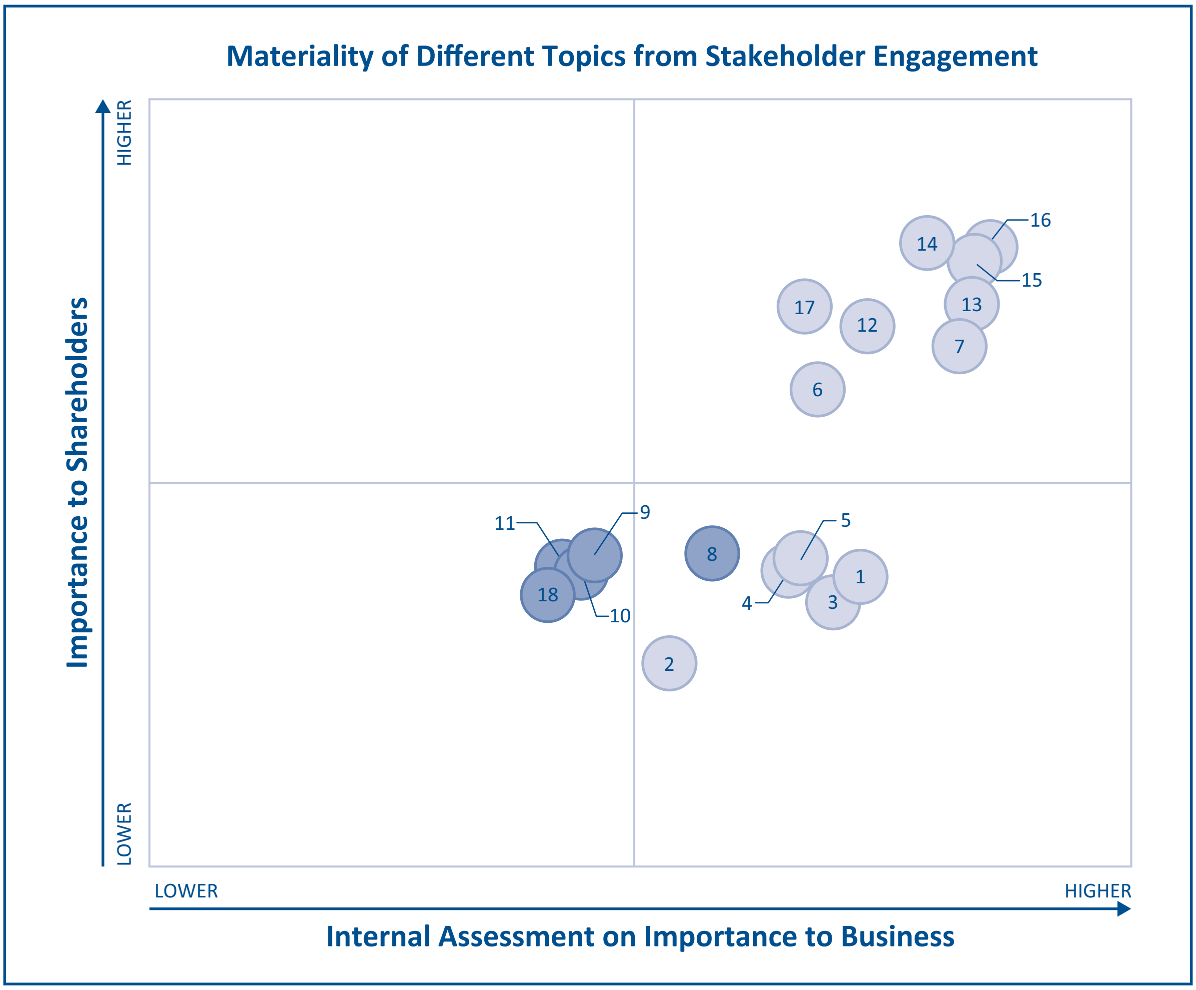
Scope	Certification	Area
Environment	ISO 14001 Environmental Management System	Oil and gas
Workplace Safety	ISO 45001 Occupational Health and Safety Management System	Oil and gas
Quality Assurance	ISO 9001 Quality Management System	Oil and gas
	ISO 10012 Measurement management system	Oil and gas

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, 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 18 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	B.	Social Issues
1	Energy	8	Employment
2	Water	9	Occupational Health and Safety
3	Emissions	10	Development and Training
4	Effluent and Waste	11	Labor Standards
5	Other Raw Materials Consumption	12	Supply Chain Management
6	Environmental Protection Policies	13	Intellectual Property Rights
7	Climate Change	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 for the stakeholders:

- Product/Service Quality
- Customer Service
- Data Protection
- Intellectual property
- Climate Change

From the perspectives of stakeholders, a majority of the material ESG issues fall under the social issues. 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.

STAKEHOLDER COMMUNICATION CHANNELS

The Group engages with key stakeholders such as shareholders, employees, suppliers, and clients to understand their needs and concerns. Besides the annual stakeholder survey, the Group communicates with stakeholders via various communication channels such as written memos, regular meetings, and interviews.

Key Stakeholders Groups	Communication Channels
Shareholders	• Annual general meeting • Financial reports • Corporate website • Announcements, notices of meetings, circulars
Clients	• Corporate websites • Regular meetings and communication
Employees	• Performance reviews and appraisals • Regular meeting and management communication (e.g email and telephone)
Government	• On-site inspections • Work reports preparation and submission for approval • Financial reports
Suppliers	• Procurement processes • Audits and assessments • Annual review
Community	• Participation in community union events

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.

A. ENVIRONMENTAL PROTECTION

The Group understands that as a responsible corporate, it plays an important role in environmental protection. 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 adheres to national and local laws and regulations concerning environmental protection and pollution control, including but not limited to the followings:

Environmental laws and regulations complied in different regions

- 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)

During the Reporting Period, no non-compliance case 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.

Emissions Control

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**"). The major mobile fuel sources of the Group are petrol and diesel.

Air Emissions	**2022**	**2021**
NO_x (kg)	14.23	28.02
SO_x (kg)	0.42	0.55
RSP (kg)	1.05	2.06

[1] The unit for calculating GHG emission intensity has been adjusted from total number of employees to HK$'000 Shenzhen office revenue to reflect the actual situation of the Group's business operation.

Greenhouse Gas Emissions

During the Reporting Period, the Shenzhen office's business operation contributed to an emission of 13,922.14 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 0.049 $tCO_2eq.$/HK$'000 with reference to the revenue of Shenzhen office during the Reporting Period.[1]

The GHG emissions reported included the following activities and scopes:

- Direct (scope 1) GHG emissions from the stationary combustion of diesel and petrol consumption for group-owned vehicles;
- Energy indirect (scope 2) GHG emissions from purchased electricity; and
- Other indirect (scope 3) GHG emissions from business air travel, municipal freshwater and sewage processing, and wastepaper disposal.

Scope of Greenhouse gas emissions[1]	**Emission sources**		**2022 (in tCO_2e)**	**2021 (in tCO_2e)**
Scope 1 Direct emissions[2]	Combustion of fuels in stationary sources	Diesel[3]	13,799.64	1,699
	Combustion of fuels in mobiles sources	Petrol	76.39	99.88
Scope 2 Indirect emissions	Purchased electricity[4]		24.42	27.21
Scope 3 Other indirect emissions[5]	Paper waste disposed at landfills		2.50	3.02
	Electricity used for processing fresh water by third parties		0.05	0.04
	Electricity used for processing sewage by third parties		0.02	N/A[6]
	Business air travel by employees		19.12	35.55
Total			13,922.14	1,864.70
Intensity (tCO_2e/HKD$1000)			0.049	0.013

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: Scope 1 GHG emissions in 2021 were restated due to the missed diesel consumption for the operation of fracturing facilities. The amount of Scope 1 GHG emissions increased from 99.88 tCO_2e to 1,798.88 tCO_2e. Hence, total GHG emissions in 2021 increased from 165.7 tCO_2e to 1,864.70 tCO_2e.

Note 3: Emission for the combustion of diesel in stationary source was calculated with emission factors from Greenhouse Gas Protocol Calculation Tool – GHG Emissions from Stationary Combustion.

Note 4: Emission factor of 0.6101 tCO_2/MWh was used for purchased electricity in the National Grid of the PRC for 2021 and 0.5810 tCO_2/MWh for 2022.

Note 5: Scope 3 GHG emissions were calculated based on available emission factors referred to Appendix 27 to the Listing Rules and their referred documentation.

Note 6: Emission data of electricity used for sewage processing was unavailable in 2021.

The Group's business operates on a project basis, upon which its diesel and electricity consumption are highly dependent on. During the Reporting Period, the Group was engaged in a major gas field operation project that resulted in a significant increase in diesel consumption. As a result, both Scope 1 greenhouse gas emissions and overall greenhouse gas emissions increased significantly.

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. In 2021, the Group established a 10-year emission target of reducing 10% of its GHG emissions to enhance its environmental performance. Nonetheless, the Group has recognized the significant variability in GHG emissions each year due to project fluctuations, making it difficult to set a specific reduction target for total GHG emissions over a 10-year period. After careful review, the Group has decided to adopt a new target of reducing GHG emissions by 10% per HK$'000 revenue by 2032, compared to 2022 baseline. This approach will allow the Group to actively work towards reducing its environmental impact while accommodating for the variability in emissions due to project fluctuations.

In the future, the Group will continue to monitor the progress of the emission reduction target and thrive to expand the use of electric pumps in fracturing operations. The Group also pays attention to the development of the latest clean and energy-saving technologies in the field of oilfield services and is always ready to apply the latest clean and energy-saving technologies to the company's operations.

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.

Use of electric pump

During fracturing operations, priority is given to using electric pumps than diesel pumps whenever the conditions permit.

Staff Canteen Operation

Cooking oil fumes and odor emitted during food production processes are clearly treated before discharging into the atmospheric environment.

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. The Group is also aware of the excess emissions brought by vehicle idling. If the Group's vehicle is parked for more than 10 minutes, the engine must be turned off. The Group has set up a specialized department to evaluate vehicle performance and its fuel efficiency. When looking for car rental services, the Group gives preference to electric cars (e.g., electric tricycles) that produce zero exhaust emissions or fuel-efficient vehicles.

[2] The unit for calculating energy intensity has been adjusted from total number of employees and total floor area to HK$'000 Shenzhen office revenue to reflect the actual situation of the Group's business operation.

Waste Management

Due to its business nature, the Group did not generate any hazardous waste during the Reporting Period. As for non-hazardous waste, they were the domestic waste generated in the office. A total of 2 tonnes of non-hazardous waste was generated by the Shenzhen office during the Reporting Period, with an overall intensity of 1.67 kg/m^2 and 8.06 kg/staff.

Waste handling and reduction initiatives

Non-hazardous waste generated by the Group is sorted according to its types and recycled by accredited recycling companies. All waste is disposed of in strict accordance with legal requirements.

The Group continues to implement initiatives to reduce waste at source. For example, the Group encourages double-sided printing, promotes the use of electronic documentation, and keeps track of paper consumption to promote a paperless office. Waste recycling bins are installed in the offices to encourage paper recycling. The Group will pay attention to the update and revision of national environmental protection regulations and standards, and revise the Group's management policy in a timely manner.

Use of Resources

The Group's Environmental Protection Policy encourages the wise, rational, and efficient use of resources throughout business operations. The Group strives to improve resource efficiency in the use of energy, water, and raw materials while adhering to applicable environmental requirements.

Energy Consumption Management

During the Reporting Period, the total energy consumption of the Shenzhen office was 51,677 Megawatt-hour ("**MWh**"), with an overall energy intensity of 0.18 MWh/HK$'000 revenue[2]. Types of energy consumed include electricity and petrol. The table below presents the energy consumption by energy types and the associated energy intensity.

Direct/indirect energy sources[1]	**2022 (in MWh)**	**2021 (in MWh)**
Electricity consumption	42.04	44.6
Petrol consumption[2]	254.52	332.77
Diesel consumption[3]	51,380.51	6325.93
Total Energy Consumption	51,677.07	6,703.3
Total energy intensity (MWh/HK$'000 revenue)	0.18	0.041

Note 1: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Note 2: Petrol consumption in 2022 was 28,720 litre.

Note 3: Diesel consumption in 2022 and 2021 were 5,139,015 litre and 632,712 litre, respectively.

During the Reporting Period, the Group's energy consumption mainly comes from the use of diesel during fracturing operation. Compared to 2021, diesel consumption in 2022 increased significantly due to the commencement of a major gas field operation project. Hence, the total energy intensity of the Shenzhen office increased by approximately 4 times.

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.

The Group is unable to establish an energy saving target due to the fluctuation in diesel consumption. Nonetheless, the Group remains committed to conserving energy. During operation work, the Group seeks to maximize the use of local power supply. In addition, the Group further encourages the use of electric pumps as an alternative to diesel pumps in order to reduce the consumption of energy.

Water Resource Management

Although the Group's business operation does not consume a significant amount of water or therefore generate large volumes of wastewater, the Group has endeavored its best efforts to conserve water during daily operation. Water consumption mainly comes from domestic use and freshwater is sourced from municipal water supply systems. During the Reporting Period, there were no issues with sourcing water. The table below presents the water consumption and the intensity of the Shenzhen office during 2022.

	2022	**2021**[1]
Water consumption	106 m^3	106 m^3
Intensity (m^3 per staff)[2]	0.43 m^3/staff	0.59 m^3/staff
Intensity (m^3 per m^2 of total production area)	0.09 m^3/m^2	0.09 m^3/m^2

Note 1: The water intensity of m^3/m^2 of total production area in 2021 was restated.

Note 2: The change in intensity of m^3 per staff was caused by the decrease in number of total employees in 2022.

Water Use Efficiency Initiatives

The Group conserves water resources and manages its water consumption effectively through different control measures. Taps with water-saving features are installed at the Shenzhen office. During operation, the Group has in place a water circulating system to reuse water and reduce water consumption. To advance the Group's water performance, the Group has set a target of reducing 1% water consumption in 2023, with 2022 as baseline year.

Packaging Material

Due to the Group's business nature, no packaging materials were consumed by the Group during the Reporting period.

The Environment and Natural Resources

Significant Impacts of Activities on the Environment

The Group recognizes that their use of diesel has a negative impact on the environment. To minimize their carbon emissions from diesel combustion, they will try to use electric pumps as much as they can during fracture operations. Meanwhile, the Group actively manages and assesses its environmental impacts through policy controls and acts decisively to prevent environmental damage.

The Environmental Protection Management Procedure is enforced to regulate the use of natural resources. For instance, 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 ahead, the Group will step up efforts to further lessen its impact on the natural environment and create a healthy environment for its employees. The Group also supports China's goal of achieving net zero carbon emission by 2060 to mitigate climate change. 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.

Climate Change

Significant climate-related risk to the company

Climate change is of paramount importance to establishing the Group's long-term business strategies. The Group is keenly aware of the risks that climate change poses to the environment and ultimately towards the Group's success. In such case, the Group has evaluated the climate-related risks and their implication on business operations with reference to the Recommendations of Task Force on Climate-related Financial Risks Disclosure ("**TCFD**"). The risks have been divided into two major categories: physical and transition risks. To measure its materiality and potential impacts on the Group's business operation, the Group determines the risk level of the climate risks by evaluating the likelihood and severity of the risk.

Climate risk type	Time horizon	Implication on business	Risk level
Physical risk (acute)	Short term	Increased severity and frequency of extreme weather affects daily operations and may cause damage to equipment. It reduces revenue and increases maintenance costs.	Low
Physical risk (chronic)	Short term	Rising temperature increase energy use and equipment maintenance cost	Low
Transition risk (legal and policy)	Long term	Increased operation cost from increased GHG emission pricing	Low
Transition risk (technology)	Long term	Increased operation costs from the substitution of existing equipment and services. Reduced demand for services from the shift of customer and market preference.	High
Transition risk (market)	Long term	Switch from the oil and gas market to renewable/clean energy lower the demand for oilfield services	High
Transition risk (reputation)	Long term	Reduced revenue from decreased demand for services	Medium

In general, the Group is more susceptible to transition risks, especially market risk and technology risk. Transition risks refer to the associated risks caused by the shift to a low-carbon economy. Shifting to a low-carbon economy encourages the substitution of fossil fuel for cleaner energy like renewable energy sources, which may reduce the overall revenue of the Group due to lower demand for oilfield services.

The Future

As the Group's business nature is linked to the traditional oil and gas market, the Group is vulnerable to the potential financial impacts associated with the shift to a low-carbon economy. In response to the changes in energy policy and energy consumption structure induced by climate change, the Group has chosen the development of clean energy such as shale gas, combustible ice, and geothermal power as its future business direction. To prepare for its business restructuring, the Group is investing more resources in the research and development of related technologies. In the future, the Group aims to gradually transform its business operation from an oilfield service provider to a new energy service provider.

Opportunities

Despite the efforts made to mitigate and adapt to climate change, the Group sees the opportunities to expand its business and increase its market competitiveness. By improving the management and its technology, it increases the operation efficiency and increases the market competitiveness of the Group. While the increased demand for clean energy has encouraged the Group to explore clean energy extraction technologies and enter the clean energy market. During the Reporting Period, the Group has collaborated with Tsinghua University and the related authorities from the Guangdong province and Shenzhen and established technical teams to conduct research and develop the technology to exploit combustible ice and geothermal power.

The Group supports China's goal of reaching the peak of carbon emission in 2030 and achieving carbon neutrality in 2060 by adopting the following measures:

- Pay close attention to the development and use of clean and energy-saving technologies in the industry, and actively apply the latest technologies to the Group's operation;
- Establish a strategy for the transformation to new energy development service provider, and invest resources in research and development of new energy development service technologies; and
- Optimize energy resource management to utilize energy use and improve energy efficiency in office operations.

B. SOCIAL

1. Employment and labour practices

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

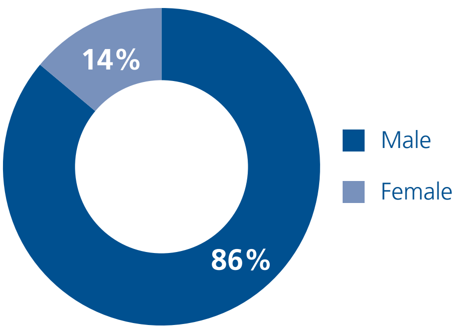
Employment

The Group strictly abides by the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, and other applicable laws and regulations in the area where we operate as well as the requirement of international practices. The Group also adheres to the Law of the People's Republic of China on the Protection of Rights and Interests of Woman and the Special Rules on the Labor Protection of Female Employees, aiming to protect the legal rights and interests of female employees and support their physical and mental health.

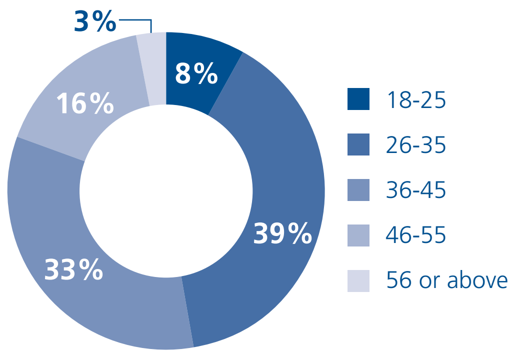
The Group endeavors to provide a fair and transparent workplace that offers rewarding remuneration and equitable human resource (the "**HR**") management policies. The Group strictly complies with national and local laws and regulations regarding employment and labor practices.

As of 31 December 2022, the Group's Shenzhen office had a total of 248 employees. All of them were full-time employees. The total workforce, which is sorted by gender, age group, employee category, and geographical region is shown below.

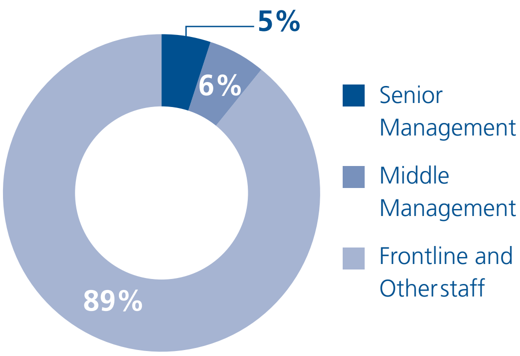
Employees by Gender



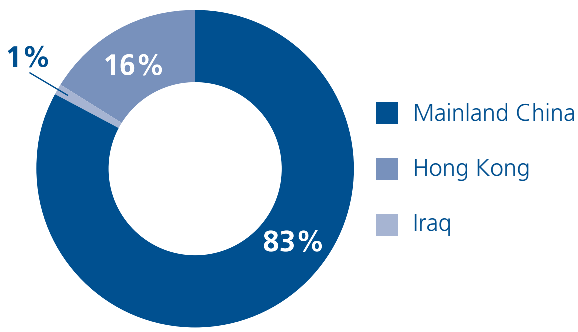
Employees by Age Group



Employees by Employment Category



By Geographical Region



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 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 PRC operations. Employees are entitled to year-end bonuses or pro-rated bonuses 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 individuals.

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 offense 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 exercises 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 employee handbook clearly sets out the Group's standards for creating an equal and diverse working environment. Non-discriminatory employment practices are in place to prohibit all forms of discrimination, including gender, age, family status, sexual orientation, disability, race, and religion. In addition to employment practices, the Group ensures that all employees enjoy fair and equal opportunities for promotion. Adhering to the employment discrimination laws, the Group supports diversity and respects the goal of equal opportunity employment in its business operations. Moreover, 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.

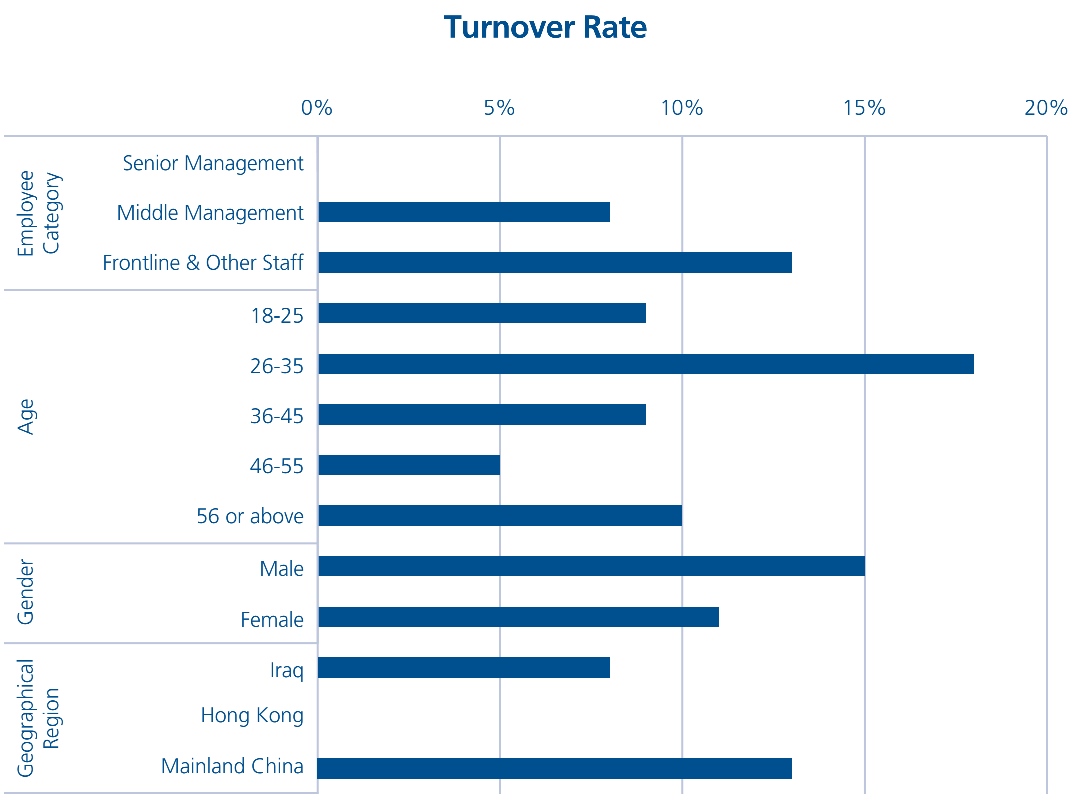
Covid-19 arrangement

The Group understands that it plays a critical role in supporting employees' living. During the pandemic, no employees experienced salary deductions. If work is suspended due to the pandemic situation, employees' salary was paid according to PRC labour laws. During the quarantine period in China, work from home arrangement was allocated for employees, and salaries were paid as usual.

Employee relations and turnover

The Group believes that employees are the most valuable asset to the Group. To enhance employees' sense of belonging, the Group organizes various recreational and cultural activities including birthday celebrations, buffet gatherings, team bonding activities, and sports events for employees to foster a better understanding of each other.

A total of 29 employees left the Group during the Reporting Period, representing an overall turnover rate of 11.70 %. The employee turnover rate by gender, age group, and employment category are as follows:



Employee Health and Safety

The health and safety of employees are of utmost concern to the Group. In line with the Group's HSE 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.

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

- Law of the PRC on the Prevention and Control of Occupational Diseases
- Production Safety Law of the PRC
- Road Traffic Safety Law of the PRC
- Regulation on Work-Related Injury Insurance
- Regulations of Guangdong Province on Production Safety
- Law of the PRC on Prevention and Treatment of Occupational Diseases
- 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

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. To ensure the health conditions of employees are suitable for work, all employees of the Group had undergone health checks before onboarding. Besides, the Group arranges a mandatory annual health check-up for all its employees in PRC operation. In addition to purchasing medical insurance, the Group also purchases commercial health insurance with an insured amount of RMB500,000 for its employees.

To ensure the workplace environment is safe and in compliance with national standards, the Group has consulted qualified third-party monitoring agencies to identify and access occupational hazards such as noise levels or toxic chemical substances in the air. If the occupational risk factors exceed the national limit, the Group will hire a professional environmental management company to manage the working environment and eliminate the risks through appropriate measures. The Group at the same time will closely monitor the inherent hazards and review 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. All employees are entitled to take regular breaks and have sufficient rest during the workday. The Group provides annual health check-ups for all employees and screens physically fit workers for certain production activities. All fire safety installations and equipment are checked regularly by 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 the proper use of fire-fighting equipment and 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 Noise 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.

Furthermore, all employees shall undergo adequate safety education and training to ensure that they acquire essential knowledge about work safety and are aware of the relevant rules for work safety and safe operation regulations. Employees are required to report any safety violations and incidents of non-conformance in the workplace. The Quality, Occupational Health, Safety and Environmental ("**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 in the Group.

During the last three years including the Reporting Period, no fatalities of the Group's employees have been recorded. 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 2022

Work-related fatality	0
Lost days due to work injury	8 days

Our Responses to COVID-19

The health and safety of employees in times of the pandemic remain the Group's primary concern. In line with the national government's policies, the Group has set up a pandemic working group to cope with the epidemic situation. Besides, the Group has formulated a prevention and control plan and it is implemented as part of the Group's internal policy. The anti-epidemic measures are listed as follows:

- Employees and visitors are required to scan the health code and measure their body temperature before entering the office building;
- Recommend employees to be vaccinated;
- Daily sanitation of the office;
- Regular updates on the pandemic information and regulations;
- Requiring employees to conduct nucleic acid testing in accordance with government requirements.
- Provide disinfection supplies including face masks and hand sanitizers in the office.

The Group will immediately report to the government when there is a confirmed case of COVID-19 in the operating sites. Quarantine measures and office closures will be arranged.

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, and local regulatory requirements, and upon requests by the employees. Training needs are identified through systematic evaluation with the aid of the occupational competency model.

The Group's training can be divided into two major categories: internal and external training. Internal training includes safety training, acquisition negotiation training, contract risk prevention and control, etc. While external training refers to certified programs. They mainly include well control training, hydrogen sulfide control training, HSE training, safety qualification certification, height operation certificate, etc. All new hires are required to take induction programs, while current employees undergo structured on-the-job training to enhance their knowledge and skills in the workplace.

Besides, employees engaged in drilling operations shall receive specialized training, such as the competency courses provided by the IADC. Employees could work on vessels only after attending training 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 skills and 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 requirements, and then approved by HR training management staff and directors.

Furthermore, the Group constantly reviews the status of certifications obtained by its employees. They are reminded two months prior to the expiration of the renewal of certifications. According to their post, employees are required to attend all the arranged courses in order to renew the certifications and to maintain competencies 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, 75 % of the Group's employees received training, the total training hours and the average training hours per employee were 8328 hours and 44.8 hours respectively.

A detailed breakdown of training provided to employees

By employee category

Senior Management	Percentage of employees trained	42%
	Average training hours completed per employee	105.6
Middle management	Percentage of employees trained	38%
	Average training hours completed per employee	93.2
Frontline and other staff	Percentage of employees trained	79%
	Average training hours completed per employee	41.7

By gender

Male	Percentage of employees trained	85%
	Average training hours completed per employee	45.7
Female	Percentage of employees trained	12%
	Average training hours completed per employee	1

Labor Standards

The Group strictly complies with the Labor Law of the PRC, the Provisions on the Prohibition of Using Child Labor, and internal recruitment guidelines which prohibit 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 discovered, the Group will promptly terminate the employment of the concerned persons and take necessary disciplinary action against anyone who violates 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. During the Reporting Period, the Group did not employ any child labor or forced labor and did not note any cases of non-compliance with relevant laws and regulations in relation to labor standards.

2. Operating Practices

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 the 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 performance 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.

The Group is dedicated to continuous monitoring and working closely with its suppliers to maintain its environmentally sustainable and socially responsible practices. Suppliers are evaluated and regulated by HSE management agreements and on-site inspections. The Group has not formulated any policies to select environmentally preferable products or services when selecting suppliers. Nevertheless, the Group prioritizes local suppliers in the tendering process to reduce carbon footprints from logistics.

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	132	Raw materials, machinery and equipment, and service providers;
Others	2	Raw and auxiliary materials, finished components, machinery and equipment, API testing software, and service providers

Product Responsibility

The Group strictly adheres to the Product Quality Law of the PRC, Contract Law of the PRC, Law of the PRC on the Protection of Consumer Rights and Interests, Arbitration Law of the PRC, and relevant laws and regulations relating to health and safety, advertising, labelling, and privacy matters relating to products and services. 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. In addition, the Group has also developed a produce and service quality plan management system for quality control/assurance. In response to market changes, the Group regularly reviews and improves its quality management system and strengthens the inspections of 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 the 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. Due to its business nature, the Group's operation does not involve any shipping and recalls of products.

Data Protection

The Group places great emphasis on customer privacy and data protection. To enforce control of confidentiality and privacy, the Group has established confidentiality rules in the Code of Conduct. The rules state that employees shall not pursue or engage in any activities 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 the proprietary information of the Group.

In terms of information technology ("**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 2022, the information on the patent application is as follows:

Serial number	Type	Patent approved during the Reporting Period	Patent approved before the Reporting Period	Total
1	Innovation patents	1	5	6
2	Utility model patents	3	9	12
		4	14	18

The achievements and results accomplished by the research and development teams are owned by the Group, which 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.

Anti-corruption

Adhering to a high standard of corporate ethics is of paramount importance to the Group's operation. The Group's anti-corruption policies, ethical standards, and requirements are clearly set out in the Employee Handbook, which requires all business activities to be operated with a 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.

Anti-corruption laws and regulations complied with in different regions

The PRC

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

United Nations

- United Nations Convention Against Corruption

Employees are prohibited from committing theft, fraud, or dishonesty in connection with the Group property, or committing a criminal offense 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 interest in work situations.

Anti-corruption training

The Group highly values business integrity and the honesty of its employees. The Board plays a critical role in building and promoting a clean business environment in the workplace. During the Reporting Period, the Group hired a third-party professional to provide anti-fraud training covering relevant anti-corruption laws and regulations in Hong Kong and PRC, managers codes of conduct, and case studies for all of its directors. The average hour of training received by directors is 2 hours and 8 of them have completed the training. In the future, the Group will further increase its training to employees at different levels to maintain a clean business environment.

Whistleblowing System

The Group has in place the Whistleblowing Policy for its employees to report concerns related to ethical business or suspected misconduct. Whistleblowers can make confidential reports to the Board directly upon any suspicious activities, either in person or by email to humanresource@petro-king.cn. All reports and the identities of whistle-blowers would be treated in the strictest confidentiality. In the event an employee is found to have committed any act of misconduct, the Group reserves the right to take disciplinary action 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.

Community Investment

The Group does not have a formal policy on community engagement. Nonetheless, the Group believes that corporate social responsibility is of the same importance as the Group’s business activities. The Group is constantly aware of the needs of the community and encourages its employees to participate in volunteering activities and public welfare undertakings. Due to the pandemic situation, the Group was unable to hold any community events during the Reporting Period.

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 2022 (the "**Year**" or "**2022**"), 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 (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 41 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. Zhao Jindong, an executive Director, is interested in approximately 14.65% 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. Wang Jinlong, a non-executive Director and the chairman of the Board (the "**Chairman**"), 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 current Board during the Year.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

According to Code Provision 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 (deceased on 4 March 2023)	✓	✓
Lin Jingyu (appointed on 22 March 2023)	✓	✓
Non-executive Directors		
Wang Jinlong (redesignated on 1 January 2022)	✓	✓
Wong Shiu Kee	✓	✓
Independent non-executive Directors		
Leung Lin Cheong	✓	✓
Tong Hin Wor (resigned on 30 June 2022)	✓	✓
Xin Junhe	✓	✓
Zhang Dawei (appointed on 30 June 2022)	✓	✓

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, plays the critical role of leading the Board in fulfilling its responsibilities. The role of the chief executive officer (the "**CEO**") was held by Mr. Huang Yu (deceased on 4 March 2023) and Mr. Lin Jingyu (appointed on 22 March 2023). 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 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 2021, the approval of the interim results of the Group for the six months ended 30 June 2022, 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 2022 are as follows:

	Meetings attended/Meetings held						
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Sanction Oversight Committee**	**2022 Annual General Meeting**	**2022 Extraordinary General Meeting**
Executive Directors							
Zhao Jindong	7/7	–	–	–	–	1/1	3/3
Huang Yu (deceased on 4 March 2023)	7/7	–	–	–	–	1/1	3/3
Non-executive Directors							
Wang Jinlong (redesignated on 1 January 2022)	7/7	–	2/2	2/2	2/2	1/1	3/3
Wong Shiu Kee	7/7	–	–	–	–	1/1	3/3
Independent non-executive Directors							
Tong Hin Wor (resigned on 30 June 2022)	4/4	1/1	2/2	2/2	–	1/1	–
Xin Junhe	7/7	2/2	2/2	2/2	2/2	1/1	3/3
Leung Lin Cheong	7/7	2/2	2/2	2/2	2/2	1/1	3/3
Zhang Dawei (appointed on 30 June 2022)	3/3	1/1	–	–	–	–	3/3

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 has adopted a board diversity policy (the "**Board Diversity Policy**"). It 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.

Looking forward, the Company will seek to achieve gender diversity on the Board. The Board will make every effort to include female director(s) into the Board (keeping in mind the importance of management continuity and the timeline for retirement and re-appointment of Directors under the articles of association of the Company) and the nomination committee of the Board will use its best endeavors and on suitable basis to, during the year of 2023, identify and recommend suitable female candidate(s) to the Board for its consideration on appointment of a Director. The Company will try its best to appoint at least one female director no later than 31 December 2023.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2022, the gender ratio of the workforce of the Group (including senior management) was 86:14 male to female. The Group will continue to attach importance to the training for female talents and provide them with long-term development opportunities.

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. During the Year, the members of the Audit Committee were Mr. Leung Lin Cheong, Mr. Tong Hin Wor (resigned on 30 June 2022), Mr. Xin Junhe and Mr. Zhang Dawei (appointed on 30 June 2022). 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 2022 and 29 August 2022 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2021 and for the six months ended 30 June 2022, respectively. 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 systems for the Year.

Remuneration Committee

The Remuneration Committee was established on 18 February 2013 with written terms of reference revised on 30 December 2022 and 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 and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. During the Year, the members of the Remuneration Committee were Mr. Xin Junhe, Mr. Tong Hin Wor (resigned on 30 June 2022), Mr. Leung Lin Cheong, Mr. Wang Jinlong and Mr. Zhang Dawei (appointed on 30 June 2022). Mr. Xin Junhe is the chairman of the Remuneration Committee.

During the Year, two meetings of the Remuneration Committee were held on 30 March 2022 and 30 June 2022 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 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 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 (resigned on 30 June 2022), Mr. Leung Lin Cheong and Mr. Zhang Dawei (appointed on 30 June 2022). Mr. Wang Jinlong is the chairman of the Nomination Committee.

During the Year, two meetings of the Nomination Committee were held on 30 March 2022 and 30 June 2022 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 according to the articles of association of the Company. All members of the Nomination Committee attended the meeting.

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. During the Year, the members of the Sanction Oversight Committee were 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 2022 and 29 August 2022 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 2022 are analysed below:

	HK$'000
Audit services	2,150
Non-audit services	
Agreed-upon procedures	250
Others	280

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 (the "**CFO**"), 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 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 2022, 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 2022, 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 2022 to 31 December 2022. 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

Adhering to a high standard of corporate ethics is of paramount importance to the Group's operation. The Group's anti-corruption policies, ethical standards and requirements are clearly set out in the employee handbook, which requires all business activities to be operated with a 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 PRC

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

United Nations

- United Nations Convention Against Corruption

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.

The Group highly values business integrity and the honesty of its employees. The Board plays a critical role in building and promoting a clean business environment in the workplace. During the Year, the Group hired a third-party professional to provide anti-fraud training covering relevant anti-corruption laws and regulations in Hong Kong and the PRC, managers codes of conduct, and case studies for all of the Directors. The average hour of training received by the Directors is 2 hours and 8 of them have completed the training. In the future, the Group will further increase its training to employees at different levels to maintain a clean business environment.

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 humanresource@petro-king.cn. All reports and the identities of whistle-blowers would be treated in the strictest confidentiality. 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 Year. 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 2022, 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 judgements and estimates that are prudent and reasonable.

The biographical information of the Directors and senior management being in office as at the date of this report are as follows:

DIRECTORS

Executive Directors

Mr. Zhao Jindong (趙錦棟) ("Mr. Zhao"), aged 59, 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 on 25 April 2016. On 1 December 2016, Mr. Zhao has resigned as the CEO due to health reason, but remained as an executive Director.

Mr. Lin Jingyu (林景禹) ("Mr. Lin"), aged 49, is our executive Director and CEO. Mr. Lin joined our Group in August 2008 and was mainly responsible for production enhancement business. He has been promoted to a vice president of the Group and the general manager of the production enhancement department of the Group since September 2013. He was appointed as an executive Director and the chief executive officer of the Company on 22 March 2023. Mr. Lin is also a director, the general manager and the legal representative of Petro-King Oilfield Technology Limited* (深圳市百勤石油技術有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Lin has over 26 years of experience in the oilfield and gas field industry. Prior to joining our Group, Mr. Lin worked in the Oil Production Technology Research Institute of Sinopec Henan Petroleum Exploration Bureau* (中石化河南石油勘探局採油工藝研究所) as an assistant engineer from July 1996 to October 2001. He also worked in the Engineering Technology Research Institute of Sinopec Henan Oilfield Branch Company* (中石化河南油田分公司工程技術研究院) from November 2001 to August 2008 and his last position was a senior engineer and a deputy section chief. Mr. Lin graduated from Xi'an Shiyou College* (西安石油學院) (currently renamed as Xi'an Shiyou University) with a Bachelor degree in petroleum engineering in 1996. He also graduated from Yangtze University with a Master degree in petroleum and gas engineering in 2007. Mr. Lin is qualified as a senior engineer in oil production engineering in the PRC since December 2007.

Non-executive Directors

Mr. Wang Jinlong (王金龍) ("Mr. Wang"), aged 57, 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 59, 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 66, 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. Leung Lin Cheong (梁年昌) ("Mr. Leung"), aged 69, 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 was 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. Also he has been a part-time lecturer of the HKU SPACE in Risk Management for the HKCGI QP pre-examination course since September 2021. 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, The Hong Kong Chartered Governance Institute and a founding member of The Hong Kong Independent Non-Executive Director Association.

Mr. Zhang Dawei (張大偉) ("Mr. Zhang"), aged 65, has over 25 years of experience in mineral resources industry in various government authorities. Mr. Zhang graduated from Changchun Institute of Geology* (長春地質學院) (has now been merged into Jilin University) with a Bachelor degree in Geological Prospecting in 1990. He also graduated from Jilin University with a Master degree in World Economics in 1997. Mr. Zhang worked in Jilin Province Geology and Mineral Bureau* (吉林省地質礦產局) as an officer from July 1990 to December 1993. He also worked in the Department of Policies and Regulations, Ministry of Geology and Mineral Resources* (地質礦產部政策法規司) from December 1993 to December 1998 in which his last position was the director. Mr. Zhang also worked in China Land and Resources Economic Research Institute* (中國國土資源經濟研究院) as an associate dean from December 1998 to May 2002. He then joined Ministry of Land and Resources Oil and Gas Resources Strategy Research Center* (國土資源部油氣資源戰略研究中心) as a researcher from May 2002 to April 2012. After that, Mr. Zhang joined Mineral Resources Reserve Evaluation Center of the Ministry of Natural Resources* (自然資源部礦產資源儲量評審中心) as a researcher from April 2012 to January 2018. From September 2021 to present, he is the Director of the Institute of Urban Underground Space and Energy, The Chinese University of Hong Kong (Shenzhen) * (香港中文大學(深圳)).

SENIOR MANAGEMENT

Mr. Chan Kwok Yuen Elvis (陳國源) ("Mr. Chan"), aged 50, is the CFO. He joined the Group in July 2018 and is responsible for the accounting, financial, and investor relation affairs of the Group. He has over 25 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 60, 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.

EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)
Mr. Huang Yu (黃瑜)
(deceased on 4 March 2023)
Mr. Lin Jingyu (林景禹)
(appointed on 22 March 2023)

NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)
(redesignated on 1 January 2022)
Mr. Wong Shiu Kee (黃紹基)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)
(appointed on 30 June 2022)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (Chairman)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)
(appointed on 30 June 2022)

REMUNERATION COMMITTEE

Mr. Xin Junhe (辛俊和) (Chairman)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Leung Lin Cheong (梁年昌)
Mr. Wang Jinlong (王金龍)
Mr. Zhang Dawei (張大偉)
(appointed on 30 June 2022)

NOMINATION COMMITTEE

Mr. Wang Jinlong (王金龍) (Chairman)
Mr. Xin Junhe (辛俊和)
Mr. Tong Hin Wor (湯顯和)
(resigned on 30 June 2022)
Mr. Leung Lin Cheong (梁年昌)
Mr. Zhang Dawei (張大偉)
(appointed on 30 June 2022)

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)

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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.

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 2022 (The "**Year"** or **"2022"**).

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 42 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 6 to 16 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 82 to 84.

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 2022 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 2022, 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 96.9% of the Group's total revenue. The amount of revenue attributable to the Group's largest customer represented approximately 69.3% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 55.6% of the Group's total purchases. The amount of purchases attributable to the Group's largest supplier represented approximately 18.4% 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 (deceased on 4 March 2023)
Mr. Lin Jingyu (appointed on 22 March 2023)

Non-executive Directors:

Mr. Wang Jinlong (redesignated on 1 January 2022)
Mr. Wong Shiu Kee

Independent Non-executive Directors:

Mr. Leung Lin Cheong
Mr. Tong Hin Wor (resigned on 30 June 2022)
Mr. Xin Junhe
Mr. Zhang Dawei (appointed on 30 June 2022)

Mr. Zhao Jindong and Mr. Wong Shiu Kee 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. Mr. Lin Jingyu will retire at the forthcoming AGM in accordance with Article 74 of the Company's articles of association and being eligible, will offer himself 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. Lin Jingyu	HK$135,000 as Director and CEO and RMB800,000 for other positions with the Group
Mr. Zhao Jindong	HK$135,000 as Director and RMB830,000 for other positions with the Group

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. Zhang Dawei	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 2022, 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)*	6,000,000 (L)	0.35%
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. 6,000,000 share options were 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 2022, 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 2022, 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)*	335,737,745 (L)	19.44%
	Interest in a controlled corporation *(Note 2 & 3)*	490,452,153 (L)	28.40%
Termbray Industries International (Holdings) Limited ("**Termbray Industries**")	Beneficial owner *(Note 3)*	1,532,015 (L)	0.09%
	Interest in a controlled corporation *(Note 2)*	488,920,138 (L)	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)*	670,857(L)	0.05%
		670,857(S)	0.05%
	Person having a security interest in shares *(Note 7)*	70,093,285(L)	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 2022, 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 2022, 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 2022, under the Share Option Scheme. Set out below are details of the movements of share options during the financial year ended 31 December 2022:

Grantees	Date of grant	Exercise price (HK$)	Closing price immediately before the date of grant	Options outstanding as at 1 January 2022	Options granted since 1 January 2022	Options exercised since 1 January 2022	Options lapsed/ cancelled since 1 January 2022	Options outstanding as at 31 December 2022
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	15,322,919	–	– *(Note 1)*	15,322,919	–
	26 October 2016	0.529	0.520	20,400,000	–	– *(Note 2)*	–	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				66,508,905	–	–	18,108,905	48,400,000

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 have been 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 have been 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. The Share Option Scheme has expired on 18 February 2023 and no further share options may be granted under the Share Option Scheme.

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. Xin Junhe and Mr. Zhang Dawei. The principal duties of the Audit Committee are to review and approve our Group's financial reporting process, risk management and internal control systems.

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

Purchase of products from 百勤能源科技(惠州)有限公司 (Petro-king Energy Technology (Huizhou) Co., Ltd.*) ("Petro-king Huizhou") and Star Petrotech Pte. Ltd. ("Star Petrotech") (collectively, the "Petro-king Huizhou Group") from 24 February 2022 to 31 December 2024

On 24 February 2022, 深圳市百勤石油技術有限公司 (Petro-king Oilfield Technology Limited.*), 百勤(重慶)油氣工程技術服務有限公司 (Petro-king (Chongqing) Oil and Gas Technical Services Co., Ltd.*) and 深圳市百勤鑽井技術有限公司 (Shenzhen Petro-king Drilling Technology Co., Ltd.*) (collectively, the "**PRC Subsidiaries**") have entered into a framework sales and purchase agreement (the "**Original Framework Agreement**") with the Petro-king Huizhou Group, whereby the PRC Subsidiaries agreed to purchase from the Petro-king Huizhou Group 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 Original Framework Agreement shall not be more than HK$9,900,000 for each of the three financial years ending 31 December 2022, 2023 and 2024.

On 12 October 2022, the PRC Subsidiaries have entered into a supplemental framework sales and purchase agreement (the "**Supplemental Framework Agreement**") with the Petro-king Huizhou Group such that the maximum value of products to be purchased by the PRC Subsidiaries from the Petro-king Huizhou Group under the Original Framework Agreement (as amended and supplemented by the Supplemental Framework Agreement) has been increased to RMB15,000,000 for the period from 24 February 2022 to 31 December 2022, RMB20,000,000 for the financial year ending 31 December 2023 and RMB22,000,000 for the financial year ending 31 December 2024 (the "**Revised Annual Caps**"). On 25 November 2022, such continuing connected transaction was approved by independent Shareholders at the extraordinary general meeting of the Company.

The transactions contemplated under the Supplemental Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than profits ratio) in respect of the Revised Annual Caps of the transactions contemplated under the Supplemental Framework Agreement exceeds 5% and the Revised Annual Caps exceed HK$10,000,000, the Supplemental Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the Original Framework Agreement are set out in the Company's announcement dated 24 February 2022 and further details of the Supplemental Framework Agreement are set out in the Company's announcement and circular dated 12 October 2022 and 7 November 2022, respectively.

The total value of transactions charged to the Group for the transactions contemplated under the Supplemental Framework Agreement for the period from 24 February 2022 to 31 December 2022 was RMB10,598,940.

The independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that these transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged its auditors to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter to the Board containing their conclusion in relation to the continuing connected transactions for the year ended 31 December 2022 in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Provision of financial assistance to Petro-king Huizhou Group

(a) On 9 November 2022, Petro-king International Company Limited ("**Petro-king International**"), an indirectly wholly-owned subsidiary of the Company and Star Petrotech Pte. Ltd., ("**Star Petrotech**"), a wholly-owned subsidiary of Petro-king Huizhou, entered into a supplemental agreement (the "**Supplemental Agreement I**"), pursuant to which Petro-king International agreed to offer to Star Petrotech an irrevocable revolving credit facility in a reduced principal amount of up to US$2.7 million for a term up to 31 December 2024. On the same date, Mr. Wang Jinlong ("**Mr. Wang**") (as the guarantor) executed a deed of guarantee, so as to provide a personal guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under this loan facility.

(b) On 9 November 2022, 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, Petro-king Huizhou and Mr. Wang entered into a supplemental agreement (the "**Supplemental Agreement II**"), pursuant to which (i) Petro-king Shenzhen agreed to continue to offer to Petro-king Huizhou an irrevocable revolving credit facility in the principal amount of up to RMB15 million for a term up to 31 December 2024, and (ii) Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Shenzhen in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II.

(c) On 9 November 2022, Petro-king Holding Limited ("**Petro-king Holding**"), a directly wholly-owned subsidiary of the Company, Petro-king Huizhou, and Mr. Wang entered into a supplemental agreement (the "**Supplemental Agreement III**"), pursuant to which (i) Petro-king Holding agreed to further extend the payment date of the remaining consideration of RMB8 million in respect of the transfer of the entire equity interest in 百勤石油技術（惠州）有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.*) by Petro-king Holding to Petro-king Huizhou pursuant to an equity transfer agreement from 31 December 2022 to 31 December 2023, and (ii) Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Holding in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement III.

The transactions contemplated under Supplemental Agreement I, Supplemental Agreement II and Supplemental Agreement III (the "**Transactions**") constitute the provision of financial assistance by the Group to the Petro-king Huizhou Group and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions, both on standalone and aggregate basis, exceeds 5%, the Transactions are subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, is more than 25% but less than 100%, the Transactions also constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The provision of the personal guarantees to the Group by Mr. Wang is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules, as the provision of such personal guarantees constitutes a financial assistance received by the Group from a connected person, which is conducted on normal commercial terms or better and is not secured by the assets of the Group.

Further details of the Transactions are set out in the Company's announcement and circular dated 9 November 2022 and 30 November 2022, respectively.

Save as disclosed above, the Company has not entered into any non-exempt connected transactions (including continuing connected transactions) for the year ended 31 December 2022.

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 2022 are set out in note 35 to the consolidated financial statements.

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 17 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 41 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, 27 March 2023

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF PETRO-KING OILFIELD SERVICES LIMITED
(incorporated in the 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 82 to 202, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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) to the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK$27,540,000 during the year ended 31 December 2022, and as of that date, the Group had total current bank and other borrowings of approximately HK$95,225,000, while the Group only had cash and cash equivalents of approximately HK$39,959,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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(b), note 16, note 17, note 18 to the consolidated financial statements.

As at 31 December 2022, the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets were approximately HK$163,713,000, HK$85,656,000 and HK$3,790,000, respectively.

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

Based on the impairment test, management concluded that no provision for impairment was necessary on these non-financial assets of the Group for the year.

Management performed impairment test in respect of these non-financial assets with assistance of independent professional valuer. Identification of CGUs and the respective composition of the assets and liabilities allocated to the CGUs, and 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:

- Identifying the CGUs and evaluating the composition of the assets and liabilities allocated to the CGUs and assessing the valuation methodology used in respect of the assessment of the recoverable amounts by management;
- 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(b), note 4.15, note 5(c), note 21(a) and note 22 to the consolidated financial statements.

As at 31 December 2022, the Group had gross trade receivables and gross contract assets of approximately HK$236,554,000 and HK$108,659,000 and provision for impairment of trade receivables and contract assets of approximately HK$15,901,000 and HK$986,000, 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 net reversal of impairment loss of trade receivables of approximately HK$1,555,000 and net impairment loss of contract assets of approximately HK$10,000 was made for the year ended 31 December 2022.

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, 27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2022	2021
	Notes	**HK$'000**	HK$'000
Continuing operations			
Revenue	*6*	**313,771**	163,967
Operating costs			
Material costs	*20*	**(70,689)**	(11,447)
Depreciation of property, plant and equipment	*16*	**(35,274)**	(39,705)
Depreciation of right-of-use assets	*18(b)*	**(1,856)**	(2,010)
Expenses related to short-term leases	*18(b)*	**(3,767)**	(3,590)
Employee benefit expenses	*8*	**(57,016)**	(54,814)
Distribution expenses		**(5,062)**	(5,283)
Technical service fees		**(124,217)**	(50,100)
Research and development expenses		**(15,619)**	(17,696)
Entertainment and marketing expenses		**(7,083)**	(13,343)
Other expenses	*10*	**(21,703)**	(19,611)
Net reversal of impairment/(impairment loss) on financial assets	*21*	**5,697**	(9,599)
Net (impairment loss)/reversal of impairment on contract assets	*22*	**(10)**	234
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*	**(4,040)**	(2,047)
Write-off of inventories	*20*	**–**	(1,135)
Other gains and losses, net	*11*	**2,546**	10,774
Operating loss		**(24,322)**	(80,523)
Finance income	*12*	**4,773**	2,148
Finance costs	*12*	**(10,808)**	(20,497)
Finance costs, net		**(6,035)**	(18,349)
Share of net profit of associates	*32*	**3,639**	4,396
Loss before income tax expense		**(26,718)**	(94,476)
Income tax expense	*13*	**(822)**	(153)
Loss for the year from continuing operations		**(27,540)**	(94,629)

		For the year ended 31 December	
		2022	2021
	Notes	**HK$'000**	HK$'000
Discontinued operations			
Profit for the year from discontinued operations	*34*	**–**	17,897
Loss for the year		**(27,540)**	(76,732)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(3,987)**	20,020
Release of translation reserve upon disposal of subsidiaries	*34*	**–**	1,171
Release of translation reserve upon deemed disposal of associates		**485**	–
Share of other comprehensive income of associates	*32*	**1,855**	–
Other comprehensive income for the year, net of tax		**(1,647)**	21,191
Total comprehensive income for the year		**(29,187)**	(55,541)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2022 HK$'000	 2021 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(28,588)**	(94,461)
– Discontinued operations		**–**	12,676
Loss for the year attributable to owners of the Company		**(28,588)**	(81,785)
Non-controlling interests			
– Continuing operations		**1,048**	(168)
– Discontinued operations		**–**	5,221
Profit for the year attributable to non-controlling interests		**1,048**	5,053
		(27,540)	(76,732)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(30,209)**	(64,324)
Non-controlling interests		**1,022**	8,783
		(29,187)	(55,541)
(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*	**(1.7)**	(5.4)
Discontinued operations	*14*	**–**	0.7
Continuing and discontinued operations	*14*	**(1.7)**	(4.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**163,713**	157,586
Intangible assets	*17*	**85,656**	85,656
Right-of-use assets	*18*	**3,790**	1,683
Financial asset at fair value through profit or loss ("FVTPL")	*19*	**6,170**	8,587
Interests in associates	*32*	**73,724**	67,250
Other receivables and deposits	*21(b)*	**37,370**	303
		370,423	321,065
Current assets			
Inventories	*20*	**12,860**	24,348
Trade receivables	*21(a)*	**220,653**	184,990
Contract assets	*22*	**107,673**	23,727
Other receivables and deposits	*21(b)*	**59,773**	117,521
Prepayments	*21(b)*	**12,071**	17,393
Pledged bank deposits	*23*	**–**	969
Cash and cash equivalents	*24*	**39,959**	26,477
		452,989	395,425
Current liabilities			
Trade payables	*25(a)*	**243,720**	158,598
Other payables and accruals	*25(b)*	**86,187**	79,123
Contract liabilities	*22*	**625**	940
Lease liabilities	*18*	**1,521**	1,616
Bank and other borrowings	*26*	**95,225**	115,060
		427,278	355,337
Net current assets		**25,711**	40,088
Total assets less current liabilities		**396,134**	361,153

		As at 31 December 2022	
	Notes	**2022 HK$'000**	2021 HK$'000
Non-current liabilities			
Bank and other borrowings	*26*	**132,126**	70,200
Lease liabilities	*18*	**2,273**	274
		134,399	70,474
Net assets		**261,735**	290,679
EQUITY			
Capital and reserves			
Share capital	*28*	**2,001,073**	2,001,073
Other reserves	*29*	**44,307**	74,217
Accumulated losses		**(1,789,334)**	(1,789,278)
Equity attributable to owners of the Company		**256,046**	286,012
Non-controlling interests		**5,689**	4,667
Total equity		**261,735**	290,679

The consolidated financial statements on pages 82 to 202 were approved by the board of directors on 27 March 2023 and were signed on its behalf.

Mr. Wang JinLong
Director

Mr. Lin Jingyu
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 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 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 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 2022	**2,001,073**	**74,217**	**(1,789,278)**	**286,012**	**4,667**	**290,679**
Comprehensive income						
(Loss)/profit for the year	–	–	(28,588)	(28,588)	1,048	(27,540)
Other comprehensive income						
Currency translation differences	–	(3,961)	–	(3,961)	(26)	(3,987)
Release of translation reserve upon deemed disposal of associates	–	485	–	485	–	485
Share of other comprehensive income of associates	–	1,855	–	1,855	–	1,855
Total comprehensive income for the year	–	(1,621)	(28,588)	(30,209)	1,022	(29,187)
Transactions with owners in their capacity as owners						
Recognition of share-based payment *(Note 30)*	–	243	–	243	–	243
Transfer of share-based payment reserve upon expiry of share options *(Note 30)*	–	(28,532)	28,532	–	–	–
Total transactions with owners, recognised directly in equity	–	(28,289)	28,532	243	–	243
Balance at 31 December 2022	**2,001,073**	**44,307**	**(1,789,334)**	**256,046**	**5,689**	**261,735**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022 HK$'000	2021 HK$'000
		For the year ended 31 December	
Cash flows from operating activities			
(Loss)/profit before income tax expense			
– Continuing operations		**(26,718)**	(94,476)
– Discontinued operations		**–**	20,924
		(26,718)	(73,552)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**35,274**	44,265
Depreciation of right-of-use assets	*18(b)*	**1,856**	6,642
Amortisation of intangible assets	*17*	**–**	74
Share-based payment	*8*	**243**	616
Net (reversal of)/impairment loss on financial assets	*21*	**(5,697)**	9,599
Net impairment loss/(reversal of impairment) on contract assets	*22*	**10**	(234)
Write-down of inventories to net realisable value	*20*	**4,040**	2,047
Write-off of inventories	*20*	**–**	1,135
Impairment loss on property, plant and equipment	*16*	**–**	15,318
Impairment loss on goodwill	*17*	**–**	9,800
Loss on disposals of property, plant and equipment	*11*	**2,944**	372
Fair value gain on financial assets at FVTPL	*11*	**(131)**	(157)
Gain on deregistration of financial assets at FVTPL	*11*	**(19)**	–
Gain on dilution of interests in associates	*11*	**(374)**	–
Gain on disposal of a subsidiary		**–**	(23,497)
Net finance costs	*12*	**6,035**	20,843
Share of net profit from associates		**(3,639)**	(4,396)
Operating profit before working capital changes		**13,824**	8,875
Inventories		**7,503**	(11,156)
Trade and other receivables, deposits and prepayments and contract assets		**(82,848)**	111,626
Trade, other payables and accruals and contract liabilities		**94,247**	38,734
Cash generated from operations		**32,726**	148,079
Interest paid		**(10,658)**	(24,812)
Income tax paid		**(3,010)**	–
Net cash generated from operating activities		**19,058**	123,267

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
		2022	2021
	Notes	**HK$'000**	HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,764)**	(4,353)
Purchases of intangible assets		**–**	(1,276)
Proceeds from disposal of property, plant and equipment	*33(a)*	**20,805**	–
Proceeds from disposal on equity interest of subsidiaries	*34(a)(i)*	**–**	25,054
Proceeds from deregistration of financial assets at FVTPL		**2,245**	–
Interest received		**3,821**	2,164
Withdrawal of pledged bank deposits	*33(c)*	**946**	2,351
Loan advanced to related parties		**(23,562)**	(52,239)
Repayments of loan receivables from related parties		**27,474**	–
Advances to related parties		**(746)**	(774)
Net cash generated from/(used in) investing activities		**27,219**	(29,073)
Cash flows from financing activities			
Proceeds from borrowings	*33(c)*	**100,916**	97,259
Repayments of borrowings (excluding bondholders loans and bonds issued in 2020 ("2020 Bonds"))	*33(c)*	**(117,614)**	(185,501)
Repayments of bondholders loans	*33(c)*	**(12,000)**	(11,500)
Repayment of principal portion of 2020 Bonds	*33(c)*	**(3,750)**	(15,000)
Principal elements of lease liabilities	*33(c)*	**(2,059)**	(6,661)
Capital injection from non-controlling shareholders of subsidiaries		**–**	22,477
Advances from related parties	*33(c)*	**6,001**	64
Net cash used in financing activities		**(28,506)**	(98,862)
Net increase/(decrease) in cash and cash equivalents		**17,771**	(4,668)
Cash and cash equivalents at beginning of year		**26,477**	29,553
Effect of foreign exchange rates changes		**(4,289)**	1,592
Cash and cash equivalents at end of year	*24*	**39,959**	26,477

1. GENERAL INFORMATION

Petro-king Oilfield Services Limited (the "**Company**") was incorporated in the British Virgin Islands on 7 September 2007 as an exempted company with limited liability. The address of the Company's registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the provision of oilfield technology services covering various stages in the life cycle of oilfields including drilling, well completion and production enhancement as well as consultancy services for oilfields and gas fields with auxiliary activities in the trading of oilfield and gas field related products. During the year ended 31 December 2021, the Group had discontinued its manufacturing business in relation to oilfield related products.

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

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

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

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

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

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

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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
IFRS 17	Insurance Contracts and the related amendments[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

[3] No mandatory effective date yet determined but available for adoption

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

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

(ii) Going concern assumption

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

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

3. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

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

(a) As at 31 December 2022, the Group had unutilised facilities available for drawdown totalling RMB53,466,000 (the "**Unutilised Facilities**"), comprising RMB30,000,000 from a shareholder (Note 26(v)), and RMB19,000,000 and HK$5,000,000 from certain independent lenders (Note 26(iv)). Subsequent to 31 December 2022, the Group has not drawn down the Unutilised Facilities;

(b) In March 2023, the Group has obtained additional loan facilities with an aggregate amount of RMB3,980,000 from a bank located in the People's Republic of China (the "**PRC**") (Note 26(a)). The Group is also actively negotiating with the same bank for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC; and

(c) Repayment from Petro-king Energy Technology (Huizhou) Co., Ltd. ("**Petro-king Huizhou**") and its subsidiaries (together the "**Petro-king Huizhou Group**") of certain loan facilities with outstanding principal amount of approximately US$2,601,000, RMB15,000,000 and RMB8,000,000 as at 31 December 2022 respectively (Note 35(b)(i)).

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.

3. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through:

(i) successfully drawing down the Unutilised Facilities as and when needed;

(ii) successfully obtaining new loan facilities from the bank located in the PRC to fund the working capital needs of the Group for the oilfield and gas field projects in the PRC; and

(iii) repayment from the Petro-king Huizhou Group.

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

(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. Amounts are round to thousands, unless otherwise stated.

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 in 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:

Buildings	Shorter of lease term or useful life of 50 years
Leasehold improvements	Shorter of lease term or useful life of 5 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 and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (other than goodwill) (Continued)

(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 or sale;
- 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12 months or less and do not contain purchase option. 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)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

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 or loss 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.

Fair value through 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 ("**ECL**") on trade receivables, 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 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 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 accordance with note 4.18.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(e) Equity instruments

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

(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 estimated selling expenses.

4.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank and 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 the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and in hand, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the same basis as trade receivables 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 and 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 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)

(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.

4.21 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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Share-based payment (Continued)

(a) Equity-settled share-based payment transactions (Continued)

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.

(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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4.25 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Related parties (Continued)

(ii) (Continued)

(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 Company.

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 judgements 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 2022 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 the Forecast of the Group covering the next fifteen months from the end of reporting period 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 2023. Accordingly, the Directors consider 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 judgement. In making this judgement, 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. Details of assumptions and inputs used are discussed in Note 16 and 17 to the consolidated financial statements.

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

The Group follows the guidance of IFRS 9 to determine how much trade and other receivables and contract assets are impaired. This determination requires significant judgement and estimation based on assumptions about risk of default and expected loss rates. In making this judgement 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 38(b)(ii) to the consolidated financial statements.

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

Others included business of manufacturing and sales of (1) parts and accessories for medical equipment and machines that can produce medical supplies; (2) metallic parts, accessories and consumables for civil aerospace equipment; and (3) metallic parts, accessories and consumables for telecommunication equipment. During the year ended 31 December 2021, the Group had discontinued its business under the segment of "Others" upon the disposal of Petro-king Huizhou.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue

Revenue recognised during the years ended 31 December 2022 and 2021 is as follows:

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition within the scope of IFRS 15		
– At a point in time	**7,496**	77,246
– Over time	**306,196**	156,220
	313,692	233,466
Revenue from other sources	**79**	329
	313,771	233,795

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 2022 are as follows:

	Continuing operations		
	Oilfield project tools and services – Oilfield Services Business HK$'000	Consultancy services HK$'000	Total HK$'000
Year ended 31 December 2022			
Revenue from external customers	**277,760**	**36,011**	**313,771**
Inter-segment revenue	**–**	**–**	**–**
Total segment revenue	**277,760**	**36,011**	**313,771**
Segment results	**(39,974)**	**20,461**	**(19,513)**
Net unallocated expenses			**(7,205)**
Loss before income tax expense			**(26,718)**
Other information:			
Depreciation of property, plant and equipment	**(34,881)**	**–**	**(34,881)**
Depreciation of right-of-use assets	**(268)**	**–**	**(268)**
Net reversal of impairment on financial assets	**5,697**	**–**	**5,697**
Net impairment loss on contract assets *(Note 22)*	**(10)**	**–**	**(10)**
Write-down of inventories to net realisable value *(Note 20)*	**(4,040)**	**–**	**(4,040)**
Finance costs	**(5,348)**	**–**	**(5,348)**

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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 and 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 reversal of impairment on contract assets *(Note 22)*	234	–	–	–	234
Write-down of inventories to net realisable value *(Note 20)*	(2,047)	–	–	–	(2,047)
Write-off of 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)

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:

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

The segment results included material costs, depreciation of property, plant and equipment, depreciation of right-of-use 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 reversal of impairment on financial assets, net impairment loss on contract assets, write-down of inventories to net realisable value, write-off of inventories, impairment loss on property, plant and equipment, impairment loss on goodwill, 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 2022 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 2022			
Segment assets	**589,579**	**95,816**	**685,395**
Unallocated assets			**138,017**
Total assets			**823,412**
Segment liabilities	**461,670**	**564**	**462,234**
Unallocated liabilities			**99,443**
Total liabilities			**561,677**
Total assets include:			
Additions to non-current assets (other than financial instruments)	**80,679**	**806**	**81,485**

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities (Continued)

The amounts provided to the CODM with respect to segment assets and segment 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:

	2022	2021
	HK$'000	HK$'000
Segment assets for reportable segments	**685,395**	582,302
Unallocated assets		
– Property, plant and equipment	**2,999**	3,418
– Right-of-use asset	**3,407**	1,462
– Financial asset at FVTPL	**6,170**	8,587
– Interests in associates	**73,724**	67,250
– Other receivables, deposits and prepayments	**51,712**	53,466
– Cash and cash equivalents	**5**	5
Total assets per consolidated statement of financial position	**823,412**	716,490

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:

	2022	2021
	HK$'000	HK$'000
Segment liabilities for reportable segments	**462,234**	282,604
Unallocated liabilities		
– Bank and other borrowings	**77,700**	121,800
– Lease liabilities	**3,550**	1,646
– Other payables and accruals	**18,193**	19,761
Total liabilities per consolidated statement of financial position	**561,677**	425,811

6. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Geographical information

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

	2022 **HK$'000**	2021 HK$'000
The PRC	**278,586**	186,129
The Middle East	**30,582**	34,346
Others	**4,603**	13,320
	313,771	233,795

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

	2022 **HK$'000**	2021 HK$'000
The PRC	**301,118**	279,434
The Middle East	**25,765**	32,741
	326,883	312,175

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:

	2022 HK$'000	2021 HK$'000
Customer A	**217,315**	83,878
Customer B	**48,076**	44,004
Customer C	**N/A***	24,551

* represents customer whose revenue is less than 10% of the total revenue of the Group 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

	2022 HK$'000	2021 HK$'000
Discontinued operations:		
Storage income	–	920
Others	–	195
	–	1,115

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000
Continuing operations:		
Wages, salaries and bonus	**57,382**	62,101
Pension costs	**4,838**	5,244
Share options granted to directors, senior management and employees *(Note 30)*	**243**	616
Other staff benefits	**3,074**	3,879
Less: employee benefit expenses attributable for research and development	**(8,521)**	(17,026)
	57,016	54,814
Discontinued operations:		
Wages, salaries and bonus	**–**	7,763
Pension costs	**–**	807
Other staff benefits	**–**	189
Less: employee benefit expenses attributable for research and development	**–**	(1,488)
	–	7,271
	57,016	62,085

As at 31 December 2022, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2021: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of every director and the chief executive officer for the year ended 31 December 2022 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							
Mr. Zhao JinDong	–	1,073	35	–	–	136	1,244
Mr. Huang Yu* *(Note (v))*	–	846	–	–	185	35	1,066
Non-executive director							
Mr. Wang JinLong *(Note (i))*	–	360	–	–	–	18	378
Mr. Wong Shiu Kee	–	240	–	–	–	–	240
Independent non-executive director							
Mr. Tong Hin Wor *(Note (ii))*	–	77	–	–	–	–	77
Mr. Leung Lin Cheong	–	240	–	–	–	–	240
Mr. Xin Junhe	–	153	–	–	–	–	153
Mr. Zhang Dawei *(Note (iii))*	–	77	–	–	–	–	77
	–	3,066	35	–	185	189	3,475

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 2021 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							
Mr. Wang JinLong *(Note (i))*	–	657	–	–	–	68	725
Mr. Zhao JinDong	–	1,112	–	–	23	122	1,257
Mr. Huang Yu*	–	866	–	–	304	33	1,203
Non-executive director							
Mr. Lee Tommy *(Note (iv))*	–	42	–	–	–	–	42
Ms. Ma Hua *(Note (iv))*	–	42	–	–	–	–	42
Mr. Wong Shiu Kee	–	167	–	–	–	–	167
Independent non-executive director							
Mr. Tong Hin Wor	–	153	–	–	–	–	153
Mr. Leung Lin Cheong	–	240	–	–	–	–	240
Mr. Xin Junhe	–	153	–	–	–	–	153
	–	3,432	–	–	327	223	3,982

* Mr. Huang Yu was also the chief executive officer of the Company.

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

For the years ended 31 December 2022 and 2021, 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 (2021: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

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 2022 and 2021.

Notes:

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

(ii) Resigned as non-executive Director on 30 June 2022.

(iii) Appointed as non-executive Director on 30 June 2022.

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

(v) Deceased on 4 March 2023.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director and one director and chief executive officer (2021: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Salary	**3,158**	3,194
Employer's contribution to pension scheme	**254**	210
Share-based payment	**58**	327
	3,470	3,731

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emoluments band		
– Nil to HK$1,000,000	**1**	1
– HK$1,000,001 – HK$1,500,000	**2**	1
– HK$1,500,001 – HK$2,000,000	**–**	1
	3	3

10. OTHER EXPENSES

	2022 HK$'000	2021 HK$'000
Continuing operations:		
Auditor's remuneration		
– Audit service	**2,150**	2,100
– Non-audit services	**530**	730
Communication	**594**	630
Professional service fees	**8,980**	4,516
Motor vehicle expenses	**239**	1,808
Travelling	**6,433**	6,657
Insurance	**361**	199
Office utilities	**903**	649
Other taxes	**479**	186
Bank charges	**116**	125
Others	**3,583**	2,827
Less: other expenses attributable for research and development	**(2,665)**	(816)
	21,703	19,611
Discontinued operations:		
Communication	**–**	128
Professional service fees	**–**	1,758
Motor vehicle expenses	**–**	64
Travelling	**–**	538
Insurance	**–**	47
Office utilities	**–**	415
Other taxes	**–**	1,115
Bank charges	**–**	67
Others	**–**	1,898
Less: other expenses attributable for research and development	**–**	(516)
	–	5,514
	21,703	25,125

11. OTHER GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Continuing operations:		
Loss on disposals of property, plant and equipment *(Note 33(a))*	**(2,944)**	(372)
Gain on dilution of interests in associates	**374**	–
Fair value gain on financial assets at FVTPL	**131**	157
Gain on deregistration of financial assets at FVTPL *(Note 19(ii))*	**19**	–
Government grant *(Note)*	**4,511**	12,699
Foreign exchange gains/(losses), net	**305**	(1,872)
Others	**150**	162
	2,546	10,774
Discontinued operations:		
Government grant *(Note)*	**–**	398
Foreign exchange gains, net	**–**	888
Others	**–**	(4,333)
	–	(3,047)
	2,546	7,727

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

	2022 HK$'000	2021 HK$'000
Continuing operations:		
Interest income from bank deposits	**53**	415
Interest income from related parties	**3,768**	1,733
Interest income from others	**952**	–
	4,773	2,148
Discontinued operations:		
Interest income from bank deposits	**–**	16
Finance income	**4,773**	2,164
Continuing operations:		
Interest expenses:		
– Bank and other borrowings	**(10,235)**	(16,655)
– 2020 Bonds *(Note 26(c))*	**(403)**	(3,693)
– Lease liabilities *(Note 18)*	**(170)**	(149)
	(10,808)	(20,497)
Discontinued operations:		
Interest expenses:		
– Bank and other borrowings	**–**	(2,038)
– Lease liabilities *(Note 18)*	**–**	(472)
	–	(2,510)
Finance costs	**(10,808)**	(23,007)
Finance costs, net	**(6,035)**	(20,843)

13. INCOME TAX EXPENSE

	2022 **HK$'000**	2021 HK$'000
Continuing operations:		
Current tax – PRC corporate income tax	**925**	–
– Over provision in prior year	**(103)**	–
Deferred tax *(Note 27)*	**–**	153
	822	153
Discontinued operations:		
Current tax – PRC corporate income tax	**–**	3,027
	–	3,027
Income tax expense	**822**	3,180

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

	2022 **HK$'000**	2021 HK$'000
Loss before income tax expense		
– From continuing operations	**(26,718)**	(94,476)
– From discontinued operations	**–**	(2,573)
	(26,718)	(97,049)
Tax calculated at domestic tax rates applicable to loss in the respective entities	**(651)**	(4,424)
Tax effect of share of net profit of associates	**(910)**	(1,099)
Tax effect of income not subject to tax	**(1,327)**	(7,668)
Tax effect of expenses not deductible for tax purposes	**3,409**	15,756
Tax effect of temporary differences not recognised	**(1,426)**	(4,934)
Tax effect of previously unrecognised tax loss utilised	**(2,294)**	(2,857)
Tax effect of tax losses for which no deferred tax assets was recognised	**4,124**	8,406
Over provision in prior year	**(103)**	–
Income tax expense	**822**	3,180

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% (2021: 16.5%) during the year.

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25% (2021: 25%) except one (2021: one) of these subsidiaries as discussed below.

For the year ended 31 December 2022, Petro-king Oilfield Technology Limited was approved by relevant local tax bureau authorities as a High and New Technological Enterprise, and was entitled to a preferential CIT rate of 15% (2021: 15%) from 2019 to 2022. The High and New Technological Enterprise qualification is subjected to be renewed every three years.

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.

	2022 **'000**	2021 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,726,674**	1,726,674

(a) From continuing and discontinued operations

	2022 **HK$'000**	2021 HK$'000
Loss for the year attributable to owners of the Company	**(28,588)**	(81,785)

14. LOSS PER SHARE (Continued)

(b) From continuing operations

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

(c) From discontinued operations

	2022 HK$'000	2021 HK$'000
Profit for the year for the purpose of calculating basic earnings per share from discontinued operations	**–**	12,676

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

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

15. DIVIDEND

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machineries	Motor vehicles	Computer equipment	Furniture and fixtures	Construction in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021								
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 and impairment	–	–	(331,006)	(6,798)	(2,906)	(6,110)	–	(346,820)
Net book amount	–	–	154,146	1,928	414	1,098	–	157,586
Year ended 31 December 2022								
Opening net book amount	**–**	**–**	**154,146**	**1,928**	**414**	**1,098**	**–**	**157,586**
Additions	**–**	**–**	**78,252**	**271**	**–**	**20**	**515**	**79,058**
Depreciation	**–**	**–**	**(34,919)**	**(324)**	**(26)**	**(5)**	**–**	**(35,274)**
Disposals *(Note 33(a))*	**–**	**–**	**(23,594)**	**(66)**	**(65)**	**(24)**	**–**	**(23,749)**
Exchange differences	**–**	**–**	**(13,683)**	**(189)**	**(27)**	**(9)**	**–**	**(13,908)**
Closing book amount	**–**	**–**	**160,202**	**1,620**	**296**	**1,080**	**515**	**163,713**
At 31 December 2022								
Cost	**–**	**–**	**483,799**	**8,117**	**2,468**	**7,026**	**515**	**501,925**
Accumulated depreciation and impairment	**–**	**–**	**(323,597)**	**(6,497)**	**(2,172)**	**(5,946)**	**–**	**(338,212)**
Net book amount	**–**	**–**	**160,202**	**1,620**	**296**	**1,080**	**515**	**163,713**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2022, machineries with carrying amount of approximately HK$84,652,000 were pledged under certain five-year instalment loans and a two-year instalment loan, with interest of 6% per annum. Details are set out in the Note 26(b) to the consolidated financial statements.

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

For the year ended 31 December 2022, the management identified impairment indicator of property, plant and equipment due to under performance in the segment of oilfield project tools and services – Oilfield Services Business than anticipated. The Group assesses the recoverable amounts of the property, plant and equipment and other assets attributable to the CGU and concluded that the recoverable amounts of the CGU were higher than its carrying amounts. No provision for impairment was made on property, plant and equipment of the Group for the year.

As at 31 December 2022, the recoverable amount of the CGU related to operations of oilfield project tools and services – Oilfield Services Business 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 management of the Company covering a five-year period. The key assumptions for the cash flow projections are those regarding the average annual growth rate and discount rate. The average annual growth rate is 6%. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 5%. 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 16%.

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– Oilfield Services Business. The Group assesses the recoverable amounts of the property, plant and equipment and other assets attributable to the CGU and concluded that the recoverable amounts of the CGU 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 from continuing operations.

As at 31 December 2021, the recoverable amount of the CGU related to operations of oilfield project tools and services – Oilfield Services Business 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 management of the Company 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 – Oilfield Services Business HK$'000	Goodwill – Consultancy services HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2022				
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
Year ended 31 December 2022				
Opening and closing net book amount	–	85,656	–	85,656
At 31 December 2022				
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 – Oilfield Services Business 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)

Impairment assessment of goodwill

Management reviews the business performance and monitors 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 average annual growth rate, pre-tax discount rate and terminal growth rate used in the value-in-use calculations in 2022 and 2021 are as follows:

Consultancy services

	Year ended 31 December	
	2022	2021
Average annual growth rate	**5%**	4%
Pre-tax discount rate	**16%**	15%
Terminal growth rate	**3%**	3%

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

The average 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.

The management has performed sensitivity analysis over the consultancy services. There will not be any headroom in 2022 against the goodwill in the consultancy services if the pre-tax discount rate had been 2.10 percentage points higher than the management's estimates or the average annual growth rate of revenue had been 1.52 percentage points lower than management's estimates, respectively.

17. INTANGIBLE ASSETS (Continued)

Impairment assessment of goodwill (Continued)

As at 31 December 2022, 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 this CGU and concluded that the recoverable amount of the CGU and allocated goodwill was higher than its carrying amount. No provision for impairment was made on goodwill of the Group for the year.

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 this CGU and concluded that the recoverable amount of the CGU and allocated 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 from continuing operations.

18. LEASES

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

	2022 **HK$'000**	2021 HK$'000
Right-of-use assets		
Properties leases	**3,790**	1,683
Lease liabilities		
Current	**1,521**	1,616
Non-current	**2,273**	274
	3,794	1,890

For the year ended 31 December 2022, additions to the right-of-use assets were approximately HK$437,000 (2021: HK$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 2022 HK$'000	 2021 HK$'000
Depreciation of right-of-use assets			
Land use rights		–	115
Leasehold land		–	114
Properties leases		**1,856**	2,416
Machineries leases		–	3,997
		1,856	6,642
Continuing operations:			
Interest expenses (included in finance costs)	*12*	**170**	149
Expenses related to short-term leases		**3,767**	3,590
Discontinued operations:			
Interest expenses (included in finance costs)	*12*	–	472
Expenses related to short-term leases		–	1,664

For the year ended 31 December 2022, the total cash outflow for leases were approximately HK$5,907,000 (2021: HK$12,536,000).

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

The Group leases office premises during the year. These leases have non-cancellable lease terms with initial period ranging from two to three years. All leases held by the Group comprise only fixed payments over 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

	2022 **HK$'000**	2021 HK$'000
Listed equity investment in the PRC - non-current *(Note (i))*	**6,170**	6,263
Unlisted equity investment in the PRC - non-current *(Note (ii))*	**–**	2,324
	6,170	8,587

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 2022 and 2021, 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 40 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. In May 2022, the company had distributed cash to its investors upon deregistration and a gain on deregistration of approximately HK$19,000 had been included in "Other gains and losses, net" in Note 11.

20. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Assembling materials	**19,936**	27,439
Finished goods	**2,173**	2,173
Inventories	**22,109**	29,612
Less: Inventories write-down *(Note)*	**(9,249)**	(5,264)
Inventories - net	**12,860**	24,348

For the year ended 31 December 2022, the cost of inventories recognised as expense and included in "material costs" amounted to approximately HK$70,689,000 (2021: HK$48,556,000).

Note:

For the year ended 31 December 2022, inventories write-down amounted to approximately HK$4,040,000 (2021: HK$2,047,000) had been included in "Write-down of inventories to net realisable value" from continuing operations.

For the year ended 31 December 2022, inventories with cost of nil (2021: HK$1,135,000) were considered as obsolete and written off from continuing operations.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2022 **HK$'000**	2021 HK$'000
Trade receivables	**236,554**	203,700
Less: provision for impairment of trade receivables	**(15,901)**	(18,710)
Trade receivables - net	**220,653**	184,990

As at 31 December 2022, bank borrowings were secured by the trade receivables of a subsidiary of the Group of approximately HK$149,958,000 (2021: HK$103,780,000) (Note 26(a)).

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

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:

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

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

	2022 HK$'000	2021 HK$'000
At 1 January	**18,710**	9,236
Provision for impairment loss	**9,585**	13,384
Reversal of provision	**(11,140)**	(3,785)
Written off	**–**	(306)
Exchange differences	**(1,254)**	181
At 31 December	**15,901**	18,710

For the year ended 31 December 2022, the net reversal of impairment on trade receivables had been included in "net reversal of impairment loss on financial assets" amounted to approximately HK$1,555,000 (2021: net impairment loss of HK$9,599,000).

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

(a) Trade receivables (Continued)

For the year ended 31 December 2022, management has not written off trade receivables from any customers which have been previously fully provided (2021: HK$306,000 written off of certain customers).

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 38(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:

	2022 **HK$'000**	2021 HK$'000
United States dollar ("**US$**")	**11,035**	10,788
Chinese Renminbi ("**RMB**")	**209,618**	174,202
	220,653	184,990

(b) Other receivables, deposits and prepayments

	2022 **HK$'000**	2021 HK$'000
Other receivable, deposits and prepayments	**143,122**	174,417
Less: provision for impairment of other receivables	**(33,908)**	(39,200)
Other receivables, deposits and prepayments, net	**109,214**	135,217

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

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

	2022 HK$'000	2021 HK$'000
Other receivables and deposits:		
Deposits and other receivables – third parties *(Note)*	**24,311**	23,488
Loan receivables – related parties *(Note 35(b))*	**46,030**	52,239
Other receivables – related parties *(Note 35(b))*	**1,514**	774
Value-added tax recoverable	**21,242**	38,138
Rental deposits	**1,414**	937
Cash advances to staff	**2,359**	1,974
Receivables from disposal of a subsidiary in prior years	**273**	274
	97,143	117,824
Less: Non-current portion		
Loan receivables – related parties	**(37,070)**	–
Rental deposits	**(300)**	(303)
Non-current portion	**(37,370)**	(303)
Current portion	**59,773**	117,521
Prepayments:		
Prepayments for materials	**12,071**	16,478
Prepayments for rents and others	**–**	915
Current portion	**12,071**	17,393

Note:

Included in the balance of approximately HK$6,717,000 (2021: HK$7,339,000) represented a loan granted to an independent third party bearing interest at fixed rate of 8% (2021: 8%) per annum and repayable within 1 year (2021: 1 year).

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

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

For the year ended 31 December 2022, the Group applied the expected credit loss model and resulted in the reversal of impairment on other receivables amounted to approximately HK$4,142,000 (2021: Nil) has been included in "net reversal of 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 38(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:

	2022 **HK$'000**	2021 HK$'000
RMB	**56,347**	73,387
HK$	**2,280**	7,621
US$	**38,516**	36,816
	97,143	117,824

22. CONTRACT ASSETS/(LIABILITIES)

	2022 HK$'000	2021 HK$'000
Contract assets	**108,659**	24,703
Less: provision for impairment of contract assets	**(986)**	(976)
Contract assets, net	**107,673**	23,727
Contract liabilities	**(625)**	(940)

For the year ended 31 December 2022, the Group applied the expected credit loss model resulted in the recognition of impairment loss on contract assets amounted to approximately HK$10,000 (2021: reversal of impairment on contract assets amounted to approximately HK$234,000), 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 38(b)(ii) to the consolidated financial statements.

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.

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	**26**	7,781

23. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged as security for the Group's bidding and performance bonds.

	2022 **HK$'000**	2021 HK$'000
Pledged bank deposits		
– Bidding	–	633
– Performance bonds *(Note 36)*	–	336
	–	969

As at 31 December 2021, all pledged bank deposits of the Group 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

	2022 HK$'000	2021 HK$'000
Cash at bank	**39,958**	26,461
Cash on hand	**1**	16
	39,959	26,477

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**39,178**	17,742
US$	**745**	6,841
Singaporean dollar ("**SGD**")	**–**	65
HK$	**35**	1,827
Others	**1**	2
	39,959	26,477

As at 31 December 2022, the Group had cash at bank and on hand amounting to approximately HK$39,097,000 (2021: HK$21,921,000) 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

	2022 HK$'000	2021 HK$'000
Trade payables	**243,720**	158,598

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

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

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

	2022 HK$'000	2021 HK$'000
RMB	**205,798**	115,891
HK$	**24,219**	24,222
US$	**13,703**	18,485
	243,720	158,598

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

(b) Other payables and accruals

	2022	2021
	HK$'000	HK$'000
Other payables – third parties	**57,619**	48,014
Other payables – staff related expenses	**6,554**	10,875
Accrued payroll and welfare	**6,571**	5,210
Government grant	**4,180**	5,796
Other payables – related parties *(Note 35(b))*	**6,068**	64
Other tax and surcharge payables	**5,122**	8,719
Interest payable	**73**	445
	86,187	79,123

The carrying amounts of other payables and accruals are denominated in the following currencies:

	2022	2021
	HK$'000	HK$'000
RMB	**45,544**	43,432
HK$	**29,075**	32,297
US$	**11,568**	3,394
	86,187	79,123

26. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Other borrowings *(Note b)*	**132,126**	70,200
	132,126	70,200
Current		
Bank borrowings *(Note a)*	**58,132**	62,383
Other borrowings *(Note b)*	**37,093**	49,077
2020 Bonds *(Note c)*	**–**	3,600
	95,225	115,060
	227,351	185,260

(a) Bank borrowings

As at 31 December 2022, bank borrowings bore average borrowing rate of 6.1% (2021: 5.6%).

As at 31 December 2022 and 2021, the Group's bank borrowings were repayable as follows:

	2022 HK$'000	2021 HK$'000
Current:		
Secured interest-bearing bank borrowings		
Repayable within one year or contain a repayment on demand clause	**58,132**	62,383

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The exposure of the Group's bank borrowings to interest rate at the end of the reporting period were as follows:

	2022 **HK$'000**	2021 HK$'000
Fixed rates bank borrowings		
– 6 months or less	**–**	34,019
– Over 6 months	**58,132**	28,364
	58,132	62,383

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:

	2022 **HK$'000**	2021 HK$'000
RMB	**58,132**	62,383

As at 31 December 2022, the Group's bank borrowings were all secured (2021: Same). The Group is in compliance with all banking facilities.

26. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

As at 31 December 2022 and 2021, banking facilities of approximately HK$58,132,000 (2021: HK$92,232,000) were granted by a bank located in the PRC to a subsidiary of the Group, of which approximately HK$58,132,000 (2021: HK$62,383,000) have been utilised by the Group during the year. The Group has no undrawn banking facilities as at 31 December 2022 (2021: approximately HK$29,849,000). The facilities are secured by:

(i) trade receivables of the Group of approximately HK$149,958,000 (2021: HK$103,780,000) (Note 21(a));

(ii) personal guarantee by a director of the Company (2021: directors of certain subsidiaries of the Group);

(iii) 2022: Nil (2021: corporate guarantee given by certain subsidiaries of the Group); and

(iv) 2022: Nil (2021: pledge of equity interests in certain subsidiaries of the Group).

In March 2023, the Group has obtained additional loan facilities with an aggregate amount of RMB3,980,000 from the same bank maturing in March 2024. Such facilities are secured by trade receivables of the Group of approximately HK$5,641,000 and bear interest at 5% per annum.

(b) Other borrowings

	2022 **HK$'000**	2021 HK$'000
Non-current		
Term loan *(Note (i))*	**59,700**	70,200
Instalment loans *(Note (ii))*	**63,134**	–
Employees' loan *(Note (iii))*	**9,292**	–
	132,126	70,200
Current		
Bondholders' loans	**–**	12,000
Term loan *(Note (i))*	**18,000**	36,000
Instalment loans *(Note (ii))*	**16,630**	1,077
Employees' loan *(Note (iii))*	**224**	–
Independent lender's loan *(Note (iv))*	**2,239**	–
	37,093	49,077
	169,219	119,277

26. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Notes:

(i) 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 26 August 2022, the Group has successfully entered into a supplemental agreement with the relevant lender to whom the Group owed an outstanding principal loan amount of HK$99,200,000 as at 30 June 2022, which bore interest at 5.5% per annum. The Group has repaid HK$1,000,000, HK$1,000,000 and HK$15,000,000 to this lender in July 2022, August 2022 and September 2022, respectively. Pursuant to the supplemental agreement, the remaining outstanding principal amount would be repaid by monthly instalments of HK$1,500,000 on the last day of each month from October 2022 to November 2024, with a final instalment of HK$43,200,000 to be repaid on 31 December 2024.

(ii) As at 31 December 2022, balances represented certain five-year instalment loans which are denominated in RMB with RMB24,225,000 (equivalent to approximately HK$27,120,000) maturing in September 2027 and RMB40,375,000 (equivalent to approximately HK$45,200,000) maturing in December 2027 respectively, bearing interest at 6% 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).

Apart from abovementioned, the remaining balance comprised a two-year instalment loan which is denominated in RMB with RMB6,650,000 (equivalent to approximately HK$7,444,000) maturing in December 2024, bearing interest at 6% per annum. The loan was utilised for re-financing for the Group's operation and are secured by existing machineries acquired in previous years (Note 16).

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. The three-year instalment loan bear interest at 6.7% per annum. The loan was utilised for the purpose of acquiring machineries for the Group's operation and is secured by the corresponding machineries acquired (Note 16).

(iii) 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 March to June 2023. In May 2022, the Group further entered into a loan agreement with an employee, pursuant to which the employee has granted a loan facility with the principal amount of RMB2,500,000 to the Group for a term up to May 2023. In August 2022, the Group entered into various supplemental agreements with certain employees, pursuant to which the employees have extended the repayment dates of certain loan facilities with an aggregate amount of RMB8,500,000 provided to the Group to March to June 2024. Such facilities are unsecured and bear interest at 15% per annum.

26. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Notes: (Continued)

(iv) Balances represented a one-year term loan with the principal amount of RMB2,000,000 (equivalent to approximately HK$2,239,000). Such facility is unsecured and bears interest at 6% per annum.

Apart from abovementioned, on 25 August 2021, the Group has entered into loan facility agreements with two independent lenders, pursuant to which these two lenders have granted non-revolving loan facilities with an aggregate amount of RMB20,000,000 to the Group. The Group can draw down the non-revolving loans 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. In March 2022, the Group has drawn down RMB1,000,000 and fully repaid the amount during the year ended 31 December 2022. Subsequent to 31 December 2022, the Group has not further drawn down the facilities and hence the respective unutilised facility is RMB19,000,000.

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 bears interest at 12% per annum. Subsequent to 31 December 2022, such loan facility has not yet been drawn down.

(v) 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 first drawdown. Such facility is unsecured and bears interest at 8% per annum. In March 2022, the Group has drawn down RMB1,000,000 and fully repaid the amount during the year ended 31 December 2022. Subsequent to 31 December 2022, the Group has not drawn down the facility and hence the respective unutilised facility is RMB30,000,000.

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 (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 warrants would be expired on 31 March 2023. 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. The Group has early repaid the bonds during the year.

Movements in the 2020 Bonds are analysed as follows:

	HK$'000
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 and 1 January 2022	**3,600**
Interest expenses *(Note 12)*	**403**
Interest paid	**(253)**
Repayment of principal portion	**(3,750)**
At 31 December 2022	**–**

27. DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2022 **HK$'000**	2021 HK$'000
Deferred tax liabilities:		
– To be realised after 12 months	**–**	–

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 HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 January 2021	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, 1 January 2022 and 31 December 2022	**–**	**–**	**–**

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$246,239,000 (2021: HK$223,977,000). Unrecognised tax losses of approximately HK$103,123,000 (2021: approximately HK$107,863,000) have no expiry date and the remaining tax losses will expire at various dates up to and including 2027 (2021: 2026).

According to the new CIT Law of the PRC, 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 2022 and 2021, no deferred tax liabilities were recognised on the unremitted earnings of subsidiaries in the PRC as all the subsidiaries do not have accumulated earnings that maybe subject to the aforementioned withholding tax.

28. SHARE CAPITAL

	Issued and fully paid	
	Number of shares '000	Amount HK$'000
Ordinary shares with no par:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,726,674**	**2,001,073**

29. OTHER RESERVES

	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 2022	34,387	23,867	2,331	42,713	(51,406)	22,325	74,217
Other comprehensive income							
Exchange differences on translation of foreign operations	(3,961)	–	–	–	–	–	(3,961)
Release of translation reserve upon deemed disposal of associates	485	–	–	–	–	–	485
Share of other comprehensive income of associates	1,855	–	–	–	–	–	1,855
Total other comprehensive income for the year	(1,621)	–	–	–	–	–	(1,621)
Transactions with owners in their capacity as owners							
Recognition of share-based payment *(Note 30)*	–	–	–	243	–	–	243
Transfer of share-based payment reserve upon expiry of share options *(Note 30)*	–	–	–	(28,532)	–	–	(28,532)
Total transactions with owners in their capacity as owners	–	–	–	(28,289)	–	–	(28,289)
Balance at 31 December 2022	32,766	23,867	2,331	14,424	(51,406)	22,325	44,307

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
Transactions with owners in their capacity as owners							
Recognition of share-based payment *(Note 30)*	–	–	–	616	–	–	616
Transactions with non-controlling interests	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 subsidiaries incorporated in the Mainland China, 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) Warrant 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 120,000,000 unlisted warrants to holders of 2020 Bonds. The contractual exercise prices of the warrants are HK$0.12 per subscription share. During the year, no warrants have been exercised.

(d) Share-based payment reserve

Cumulative expenses recognised on granting of share options to the Directors, senior management and employees that have not been forfeited, lapsed or expired.

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	–	17,000,000
– Employees and senior managements	57,200,000	62,000,000	5,000,000	–
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 during the year ended 31 December 2022 are as follows:

	Exercise price per share option HK$	Number of share options			
		As at 1 January 2022	**Granted during the year**	**Forfeited, lapsed or expired during the year**	**As at 31 December 2022**
Grant date					
29 May 2015	1.21 (adjusted)	**18,108,905**	**–**	**(18,108,905)**	**–**
26 October 2016	0.53	**26,400,000**	**–**	**–**	**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**
		66,508,905	**–**	**(18,108,905)**	**48,400,000**
Weighted average exercise price (HK$)					
Grant date					
29 May 2015		**1.21**	**–**	**1.21**	**N/A**
26 October 2016		**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 during the year ended 31 December 2021 are as follows:

	Exercise price per share option HK$	Number of share options 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

No share options have been exercised by the option holders during the years ended 31 December 2022 and 2021.

During the year ended 31 December 2022, share-based payment expense of approximately HK$243,000 (2021: HK$616,000) 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 2022, share options previously granted of approximately HK$28,532,000 (2021: Nil) has been transferred from share-based payment reserve to accumulated losses 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	
	2022	2021
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**410,303**	429,303
Current assets		
Other receivables and prepayments	**263**	263
Cash and cash equivalents	**3**	3
	266	266
Current liabilities		
Other payables and accruals	**78,562**	18,905
2020 Bonds	**–**	3,600
Borrowings	**18,000**	48,000
	96,562	70,505
Net current liabilities	**(96,296)**	(70,239)
Total assets less current liabilities	**314,007**	359,064
Non-current liabilities		
Borrowings	**59,700**	70,200
	59,700	70,200
Net assets	**254,307**	288,864
EQUITY		
Share capital	**2,001,073**	2,001,073
Other reserves	**16,755**	45,044
Accumulated losses	**(1,763,521)**	(1,757,253)
Total equity	**254,307**	288,864

The statement of financial position of the Company was approved by the board of directors on 27 March 2023 and was signed on its behalf.

Mr. Wang JinLong
Director

Mr. Lin Jingyu
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Reserve movement of the Company

	Share-based payment reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000
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)
At 1 January 2022	**42,713**	**2,331**	**(1,757,253)**
Loss for the year	**–**	**–**	**(34,800)**
Recognition of share-based payment	**243**	**–**	**–**
Transfer of share-based payment reserve upon expiry of share options	**(28,532)**	**–**	**28,532**
At 31 December 2022	**14,424**	**2,331**	**(1,763,521)**

32. INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets other than goodwill	**73,603**	67,107
Goodwill	**121**	143
	73,724	67,250
Loan receivables from associates *(Note 21(b))*	**46,030**	52,239
Other receivables from associates	**42**	50

32. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates are as follows:

Name of company	Form of business structure	Place of incorporation	Percentage of ordinary share indirectly held	Principal activity
百勤能源科技(惠州)有限公司 (Petro-king Huizhou)	Limited liability company	PRC	32.73% (2021: 38.60%)	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	32.73% (2021: 38.60%)	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	32.73% (2021: 38.60%)	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	32.73% (2021: 15.44%)	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.

During the year, Petro-king Huizhou has completed the capital increase whereby the Group's shareholding interest in Petro-king Huizhou was diluted from approximately 38.60% as at 31 December 2021 to approximately 32.73% as at 31 December 2022. For the year ended 31 December 2022, gain on dilution of interests in associates amounted to approximately HK$374,000 has been included in "Other gains and losses, net" in Note 11.

32. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information, adjusted to reflect adjustments made by the Group when using equity method, is presented below:

	2022 HK$'000	2021 HK$'000
As at 31 December		
Current assets	**264,418**	180,334
Non-current assets	**210,393**	195,575
Current liabilities	**(193,713)**	(152,048)
Non-current liabilities	**(56,219)**	(50,009)
Net assets	**224,879**	173,852
Group's share of net assets of the associates	**73,603**	67,107

	2022 HK$'000	2021 HK$'000
From 1 January/the date became an associate to 31 December		
Revenue	**186,311**	104,075
Expenses	**(174,906)**	(92,687)
Profit for the year	**11,405**	11,388
Other comprehensive income	**5,678**	4,340
Total comprehensive income	**17,083**	15,728
Group's share of net profit of the associates	**3,639**	4,396

For the year ended 31 December 2022, the Group had made sales of nil (2021: HK$11,221,000) to associates and purchases of approximately HK$12,419,000 (2021: HK$9,649,000) 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 disposals of property, plant and equipment comprise:

	2022 **HK$'000**	2021 HK$'000
Net book amount *(Note 16)*	**23,749**	372
Loss on disposals of property, plant and equipment *(Note 11)*	**(2,944)**	(372)
Proceeds from disposal of property, plant and equipment	**20,805**	–

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets of approximately HK$437,000 (2021: HK$937,000) during the year ended 31 December 2022 (Note 18); and

- Additions of property, plant and equipment with a carrying amount of approximately HK$75,294,000 were financed by instalment loans during the year ended 31 December 2022 (Note 26(b)(ii)).

(c) Net debt reconciliation

	2022 **HK$'000**	2021 HK$'000
Pledged bank deposits *(Note 23)*	**–**	969
Cash and cash equivalents *(Note 24)*	**39,959**	26,477
Other payables – related parties *(Note 25(b))*	**(6,068)**	(64)
Bank and other borrowings *(Note 26)*	**(227,351)**	(185,260)
Leases liabilities *(Note 18(a))*	**(3,794)**	(1,890)
	(197,254)	(159,768)

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 2022 and 2021 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 – bondholders' loan	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 2021	29,553	3,256	–	(24,155)	(151,502)	(135,546)	(23,500)	(16,679)	(318,573)
Financing cash flows	–	–	(64)	6,661	59,884	28,358	11,500	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
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	8,838	638	1,772	21,076
Other non-cash movements *(Note)*	–	–	–	(1,374)	(9,207)	(8,848)	(638)	(3,693)	(23,760)
As at 31 December 2021	**26,477**	**969**	**(64)**	**(1,890)**	**(62,383)**	**(107,277)**	**(12,000)**	**(3,600)**	**(159,768)**
Financing cash flows	**–**	**–**	**(6,001)**	**2,059**	**(1,033)**	**17,731**	**12,000**	**3,750**	**28,506**
Investing cash flows	**–**	**(946)**	**–**	**–**	**–**	**–**	**–**	**–**	**(946)**
Increase in cash and cash equivalents	**17,771**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,771**
Foreign exchange adjustments	**(4,289)**	**(23)**	**(3)**	**43**	**5,284**	**1,217**	**–**	**–**	**2,229**
Interest paid under operating cash flows	**–**	**–**	**–**	**170**	**3,954**	**5,651**	**630**	**253**	**10,658**
Other non-cash movements *(Note)*	**–**	**–**	**–**	**(4,176)**	**(3,954)**	**(86,541)**	**(630)**	**(403)**	**(95,704)**
As at 31 December 2022	**39,959**	**–**	**(6,068)**	**(3,794)**	**(58,132)**	**(169,219)**	**–**	**–**	**(197,254)**

Note:

For the year ended 31 December 2022, other non-cash movements include additions of property, plant and equipment, lease modification, accrued interest expenses of lease liabilities, bank and other borrowings, and 2020 Bonds.

For the year ended 31 December 2021, other non-cash movements include lease modification, accrued interest expenses of lease liabilities, bank and other borrowings, and 2020 Bonds.

34. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR

(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 interests 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 IN PRIOR YEAR (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
Revenue	*6*	69,828
Other income	*7*	1,115
Operating costs		
Material costs		(37,109)
Depreciation of property, plant and equipment		(4,560)
Depreciation of right-of-use assets		(4,632)
Amortisation of intangible assets		(74)
Expenses related to short-term leases	*18(b)*	(1,664)
Employee benefit expenses	*8*	(7,271)
Distribution expenses		(43)
Research and development expenses		(6,120)
Entertainment and marketing expenses		(988)
Other expenses	*10*	(5,514)
Other gains and losses, net	*11*	(3,047)
Operating loss		(79)
Finance income	*12*	16
Finance costs	*12*	(2,510)
Finance costs, net		(2,494)
Loss before income tax expense		(2,573)
Income tax expense	*13*	(6)
Loss after income tax expense		(2,579)
Gain on disposal of subsidiaries		23,497
Tax expense relating to gain on disposal	*13*	(3,021)
Profit for the year from discontinued operations		17,897

34. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR (Continued)

(a)(ii) Discontinued Operations (Continued)

	2021 HK$'000
Cash flows from discontinued operations:	
Net cash generated from operating activities	15,310
Net cash used in investing activities	(49,330)
Net cash generated from financial activities	52,547
Net increase in cash and cash equivalents	18,527

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 constitutes discontinued operations as it represented a separate major line of business.

(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 been 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$48,511,000 has been received in prior years.

(iii) On 30 April 2021, the Group entered into agreement with an independent third party for capital injection 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 in prior 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 IN PRIOR YEAR (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 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 in prior years, the remaining consideration of approximately HK$343,000 has been included in "other receivables, deposits and prepayments" (Note 21(b)).

35. 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 2022 and 2021, and balances arising from related party transactions as at 31 December 2022 and 2021.

Name	**Relationships**
Mr. Wang JinLong	Shareholder and director
Mr. Zhao JinDong	Director
Mr. Huang Yu	Director
Mr. Wong Shiu Kee	Director
Mr. Leung Lin Cheong	Director
Mr. Tong Hin Wor	Director
Mr. Xin Junhe	Director
Mr. Zhang Dawei	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
Petro-king Huizhou	Associate of the Company
Star Petrotech	Associate of the Company

(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.

	2022 **HK$'000**	2021 HK$'000
Salaries and other short-term employee benefits	**4,708**	5,073
Share-based payments	**243**	432
	4,951	5,505

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	Notes	**2022** **HK$'000**	2021 HK$'000
Loan receivables from related parties *(Note 21(b))*	*(i)*	**46,030**	52,239
Amounts due from related parties *(Note 21(b))*	*(ii)*	**1,514**	774
Amounts due to related parties *(Note 25(b))*	*(iii)*	**(6,068)**	(64)

Notes:

(i) As at 31 December 2022, the balances represented two irrevocable revolving loan facilities granted to the associates with outstanding amount of approximately US$2,601,000 (equivalent to approximately HK$20,281,000) and RMB15,000,000 (equivalent to approximately HK$16,793,000) respectively bearing interest at 8% per annum with original expiry on 31 December 2022. Pursuant to the supplementary agreements dated 9 November 2022, the Group agreed to offer the associates an irrevocable revolving credit facility in a reduced principal amount of up to US$2,700,000 (equivalent to approximately HK$21,051,000) and an irrevocable revolving credit facility in the principal amount of up to RMB15,000,000 (equivalent to approximately HK$16,793,000) respectively for a term up to 31 December 2024. The interest rate applicable to all the outstanding amounts under the relevant loan facilities shall be 7% per annum commencing from 1 January 2023. All the outstanding balances shall be repaid on or before 31 December 2024.

Apart from abovementioned, as at 31 December 2022, the remaining balance comprised of remaining consideration receivables from an associate of approximately RMB8,000,000 (equivalent to approximately HK$8,956,000) bearing interest at 8% per annum with original expiry on 31 December 2022 for transfer of 100% equity interest of a former subsidiary of the Company completed in 2019. Pursuant to the supplementary agreements dated 9 November 2022, the Group agreed to further extend the payment date of the remaining consideration from 31 December 2022 to 31 December 2023. The interest rate applicable to all the remaining consideration shall be 7% per annum commencing from 1 January 2023. All the outstanding balances shall be repaid on or before 31 December 2023.

Details of the two irrevocable revolving loan facilities and the remaining consideration are set out on the Company's circular dated 30 November 2022.

(ii) The balances mainly comprise of receivables from the associates 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.

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Related party transactions

Saved as disclosed elsewhere to the consolidated financial statements, the Group had entered into the following transactions with related parties during the year:

(i) As at 31 December 2022 and 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 2022, the Group's exposure under the corporate guarantees provided to Petro-king Huizhou was approximately RMB12,545,000 (equivalent to approximately HK$14,045,000) (31 December 2021: RMB16,378,000), with 1.0% per annum financial guarantee income of approximately HK$223,000 (31 December 2021: 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.

(ii) 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.

(iii) For the year ended 31 December 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) as stated in Note 34(a)(i).

(iv) All transactions above were entered into at terms mutually agreed with the related parties in the ordinary course of the Group's business.

36. PERFORMANCE BONDS

	2022 **HK$'000**	2021 HK$'000
Performance bonds *(Note)*	–	336

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.

37. 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 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Bank and other borrowings *(Note 26)*	**227,351**	185,260
Lease liabilities *(Note 18)*	**3,794**	1,890
Less:		
Pledged bank deposits *(Note 23)*	**–**	(969)
Cash and cash equivalents *(Note 24)*	**(39,959)**	(26,477)
Net debt	**191,186**	159,704
Total equity	**261,735**	290,679
Total capital	**452,921**	450,383
Gearing ratio	**42%**	35%

38. 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 2022, 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$340,000 lower/higher (2021: HK$663,000 lower/higher) as a result of foreign exchange gains or losses on translation of US$ denominated net financial assets.

At 31 December 2022, 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$5,376,000 lower/higher (2021: HK$10,318,000 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 2021 and 2022, there was no bank and other borrowings at variable rates.

38. 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 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 1 year per Note 21(a).

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 given default in each case.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets

The Group has the following types of financial assets and contract assets that are subject to the expected credit loss 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

Before accepting any new customers, the Group's 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.

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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets (Continued)

To measure the expected credit losses, 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.

For the year ended 31 December 2022, the expected credit losses rate is determined as follows:

Trade receivables as at 31 December 2022	**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
Individual assessed:						
Gross carrying amount – trade receivables	–	–	922	163	5,263	6,348
Loss allowance	–	–	(429)	(163)	(5,263)	(5,855)
Collectively assessed:						
Excepted loss rates	2%	18%	20%	31%	33%	
Gross carrying amount – trade receivables	207,993	8,492	200	4,134	9,386	230,205
Loss allowance	(4,096)	(1,546)	(39)	(1,293)	(3,072)	(10,046)
Net carrying amount – trade receivables	203,897	6,946	654	2,841	6,314	220,652

As at 31 December 2022, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2022	**Total HK$'000**
Expected loss rates	1%
Gross carrying amount – contract assets	108,659
Loss allowance	(986)
Net carrying amount – contract assets	107,673

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2021, the expected credit losses 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
Excepted loss 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
Expected loss rates	4%
Gross carrying amount – contract assets	24,703
Loss allowance	(976)
Net carrying amount – contract assets	23,727

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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Other receivables and deposits

Other receivables and deposits are measured as either 12-month expected credit losses or lifetime expected credit loss, 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 expected credit losses. As at 31 December 2022, the Group's allowance for impairment of other receivables approximate to HK$33,908,000 (2021: HK$39,200,000) in view of the decrease 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 net loss of approximately HK$27,540,000 during the year ended 31 December 2022, and as of the date, the Group had total current bank and other borrowings amounted to approximately HK$95,225,000 while, the Group only had cash and cash equivalents of approximately HK$39,959,000 as at 31 December 2022.

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

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the Directors have prepared a cash flow forecast covering the next fifteen months from the end of reporting period. In preparing the Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and also have taken account of the following plans and measures summarised in Note 3(b)(ii) to the consolidated financial statements.

38. 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. Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The amounts disclosed in the table are the contractual undiscounted cash flows. Fair values of balances due less than 1 year appropriate their carrying balances as the impact of discounting is not significant.

	Less than 1 year or on demand 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 2022					
Trade payables	**243,720**	**–**	**–**	**–**	**243,720**
Other payables and accruals	**76,885**	**–**	**–**	**–**	**76,885**
Bank and other borrowings and interest payments	**103,847**	**112,057**	**33,451**	**–**	**249,355**
Lease liabilities and interest payments	**1,759**	**1,490**	**932**	**–**	**4,181**
	426,211	**113,547**	**34,383**	**–**	**574,141**
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	120,793	73,149	–	–	193,942
Lease liabilities and interest payments	1,672	284	–	–	1,956
	345,671	73,433	–	–	419,104

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in Note 26. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2022	**57,886**	**163,915**	**33,451**	**–**	**255,252**
At 31 December 2021	122,358	73,149	–	–	195,507

39. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2022 **HK$'000**	2021 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade receivables *(Note 21(a))*	**220,653**	184,990
Other receivables and deposits	**75,901**	79,686
Pledged bank deposits *(Note 23)*	**–**	969
Cash and cash equivalents *(Note 24)*	**39,959**	26,477
Financial assets at fair value		
Financial asset at FVTPL *(Note 19)*	**6,170**	8,587
Total	**342,683**	300,709
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade payables *(Note 25(a))*	**243,720**	158,598
Other payables and accruals	**76,885**	64,608
Bank and other borrowings *(Note 26)*	**227,351**	185,260
Lease liabilities (*Note 18)*	**3,794**	1,890
Total	**551,750**	410,356

40. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value at 31 December 2022 and 2021, 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	
	2022	2021
	HK$'000	HK$'000
Asset		
Financial asset at fair value through profit or loss		
– listed equity investment *(Note 19(i))*	**6,170**	6,263
– unlisted equity investment *(Note)*	**–**	2,324
	6,170	8,587

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.

40. 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, 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.

The following table presents the changes in level 3 instruments for the years ended 31 December 2022 and 2021.

	2022	2021
	HK$'000	HK$'000
At 1 January	**8,587**	8,360
Deregistration of financial assets at FVTPL	**(2,245)**	–
Gain on deregistration	**19**	–
Change in fair value	**131**	157
Exchange difference	**(322)**	70
At 31 December	**6,170**	8,587
Total gains for the year included in profit or loss for the year *(Note 11)*	**150**	157

41. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 10 January 2023, the Group has granted share options to certain directors, employees and the company secretary of the Group to subscribe for a total of 75,000,000 ordinary shares with no par value of the Company subject to and upon the terms and conditions of the Share Option Scheme. The exercise price of the share options is HK$0.075 per share. The share options shall have a validity period of 10 years from 10 January 2023 to 9 January 2033, subject to the vesting conditions as stated in the offer letter and the provisions for early termination contained in the Share Option Scheme. Further details of these share options are set out in the Company's announcement dated 10 January 2023.

(b) On 22 February 2023, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.*) ("**Petro-king Shenzhen**"), an indirectly wholly-owned subsidiary of the Company, entered into a new guarantee agreement with the Huizhou Rural Commercial Bank (the "**HRC Bank**") for the purpose of providing a guarantee for a new bank revolving loan facility with principal amount of RMB53,000,000 granted by the HRC Bank to Petro-king Huizhou, pursuant to which the guarantee amount would be limited to the respective proportion of shareholding of Petro-king Shenzhen. Further details of this guarantee are set out in the Company's announcement dated 22 February 2023.

* For identification purpose only

42. SUBSIDIARIES

As at 31 December 2022 and 2021, 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	–	80%	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	–	80%	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 (Petro-king Shenzhen)	The PRC, Limited liability company 8 November 2013	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC