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PETRO-KING OILFIELD SERVICES LIMITED

百勤油田服務有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2178)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Petro-king Oilfield Services Limited (the “**Company**”) hereby presents the annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the year ended 31 December 2024 (the “**Year**” or “**2024**”).

OVERVIEW

The Group’s revenue and loss for the Year were approximately HK\$292.4 million (2023: HK\$314.8 million) and HK\$14.7 million (2023: HK\$74.7 million), respectively. Basic loss per share attributable to owners of the Company for the Year was approximately HK1.0 cents (2023: HK4.3 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2023: 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.

GEOGRAPHICAL MARKET ANALYSIS

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

	2024	2023	Approximate	Approximate	Approximate
	(HK\$ million)	(HK\$ million)	percentage	percentage of	percentage of
			change	total revenue	total revenue
			(%)	in 2024	in 2023
				(%)	(%)
China market	268.2	266.3	0.7%	91.7%	84.6%
Overseas market	24.2	48.5	-50.1%	8.3%	15.4%
Total	292.4	314.8	-7.1%	100%	100%

As a result of the stable international oil price in 2024 and the national policy of the People's Republic of China (the "PRC") encouraging shale gas consumption for environmental protection, there were stable market demands for oilfield and gas field services offered by the Group in the PRC. The Group's revenue from the China market increased by approximately HK\$1.9 million or approximately 0.7% to approximately HK\$268.2 million in 2024 from approximately HK\$266.3 million in 2023. The increase in revenue from the China market was mainly due to the increase in the sales of well completion products and the increase in the provision of drilling services to customers, which was partly offset by the decrease in the provision of production enhancement services.

The Group's revenue from the overseas market decreased by approximately HK\$24.3 million or approximately 50.1% to approximately HK\$24.2 million in 2024 from approximately HK\$48.5 million in 2023. The decrease was mainly due to the decrease in the provision of consultancy services in the Middle East as a result of the completion of certain service contracts in the first quarter of 2024 which were not subsequently renewed, and which were partly offset by the increase in integrated project management services in the Middle East and the increase in drilling services provided in other overseas regions.

As a result of the foregoing, the Group's total revenue decreased by approximately HK\$22.4 million or approximately 7.1% from approximately HK\$314.8 million in 2023 to approximately HK\$292.4 million in 2024.

REVENUE FROM THE CHINA MARKET

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

	2024	2023	Approximate percentage change	Approximate percentage of total revenue from the China market in 2024	Approximate percentage of total revenue from the China market in 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Northern China	49.8	67.7	-26.4%	18.6%	25.4%
Southwestern China	185.2	172.4	7.4%	69.0%	64.7%
Northwestern China	28.4	25.7	10.5%	10.6%	9.7%
Other regions in China	4.8	0.5	860.0%	1.8%	0.2%
Total	<u>268.2</u>	<u>266.3</u>	<u>0.7%</u>	<u>100%</u>	<u>100%</u>

In 2024, the Group's revenue from Northern China amounted to approximately HK\$49.8 million, which decreased by approximately HK\$17.9 million or approximately 26.4% from approximately HK\$67.7 million in 2023. The decrease was mainly due to the decrease in production enhancement services and drilling services provided in Northern China.

The revenue from Southwestern China amounted to approximately HK\$185.2 million in 2024, which increased by approximately HK\$12.8 million or approximately 7.4% from approximately HK\$172.4 million in 2023. The increase was mainly due to the increase in production enhancement services provided in Southwestern China, partly offset by the decrease in the provision of consultancy services in this region.

The revenue from Northwestern China amounted to approximately HK\$28.4 million, which increased by approximately HK\$2.7 million or approximately 10.5% from approximately HK\$25.7 million in 2023. The increase was mainly due to the increase in drilling services provided and the increase in the sales of well completion tools in Northwestern China, partly offset by the decrease in the provision of production enhancement services in this region.

The revenue from other regions in China amounted to approximately HK\$4.8 million in 2024, which increased by approximately HK\$4.3 million or approximately 860.0% from approximately HK\$0.5 million in 2023. The increase was mainly due to the increase in supervisory services provided in other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2024	2023	Approximate percentage change	Approximate percentage of total revenue from the overseas market in 2024	Approximate percentage of total revenue from the overseas market in 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
The Middle East	18.4	47.8	-61.5%	76.0%	98.6%
Others	5.8	0.7	728.6%	24.0%	1.4%
Total	24.2	48.5	-50.1%	100%	100%

The revenue from the Middle East amounted to approximately HK\$18.4 million in 2024, which decreased by approximately HK\$29.4 million or approximately 61.5% from approximately HK\$47.8 million in 2023. The decrease was mainly due to the decrease in the provision of consultancy services in the Middle East as a result of the completion of certain service contracts in the first quarter of 2024 which were not subsequently renewed.

The revenue from other overseas regions amounted to approximately HK\$5.8 million in 2024, which increased by approximately HK\$5.1 million or approximately 728.6% from approximately HK\$0.7 million in 2023. The increase was mainly due to the increase in drilling services provided in Uzbekistan and the increase in supervisory services provided in Cameroon.

OPERATING SEGMENT ANALYSIS

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

	2024 <i>(HK\$ million)</i>	2023 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue in 2024 <i>(%)</i>	Approximate percentage of total revenue in 2023 <i>(%)</i>
Oilfield project tools and services	267.5	262.9	1.7%	91.5%	83.5%
Consultancy services	24.9	51.9	-52.0%	8.5%	16.5%
Total	<u>292.4</u>	<u>314.8</u>	<u>-7.1%</u>	<u>100%</u>	<u>100%</u>

In 2024, the Group's revenue from oilfield project tools and services amounted to approximately HK\$267.5 million, which increased by approximately HK\$4.6 million or approximately 1.7% from approximately HK\$262.9 million in 2023. The increase in revenue from the China market was mainly due to the increase in the sales of well completion products and the increase in the provision of drilling services to customers, which was partly offset by the decrease in provision of production enhancement services.

The Group's revenue from consultancy services amounted to approximately HK\$24.9 million in 2024, which decreased by approximately HK\$27.0 million or approximately 52.0%, from approximately HK\$51.9 million in 2023. The decrease was mainly due to the decrease in the provision of consultancy services in the Middle East as a result of the completion of certain service contracts in the first quarter of 2024 which were not subsequently renewed.

Oilfield Project Tools and Services

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

	2024	2023	Approximate percentage change	Approximate percentage of total revenue from oilfield project tools and services in 2024	Approximate percentage of total revenue from oilfield project tools and services in 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Production enhancement	235.4	242.4	-2.9%	88.0%	92.2%
Drilling	26.5	20.4	29.9%	9.9%	7.8%
Well completion	5.6	0.1	5,500.0%	2.1%	0.0%
Total	<u>267.5</u>	<u>262.9</u>	<u>1.7%</u>	<u>100%</u>	<u>100%</u>

Production Enhancement

In 2024, the Group's revenue from production enhancement services amounted to approximately HK\$235.4 million, which decreased by approximately HK\$7.0 million or approximately 2.9% from approximately HK\$242.4 million in 2023. The decrease was mainly due to the decrease in production enhancement services provided in Northern China and Northwestern China, which was partly offset by the increase in production enhancement services provided in Southwestern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$26.5 million in 2024, which increased by approximately HK\$6.1 million or approximately 29.9% from approximately HK\$20.4 million in 2023. The increase was mainly due to the increase in drilling services provided in Northwestern China and other overseas regions, partly offset by the decrease in the provision of drilling services in Northern China.

In 2024, the Group completed drilling services for 18 wells (2023: 15). The drilling services were mainly provided in Northwestern China and other overseas regions.

Well Completion

In 2024, the Group's revenue from well completion amounted to approximately HK\$5.6 million, which increased by approximately HK\$5.5 million or approximately 5,500.0% from approximately HK\$0.1 million in 2023. The increase was mainly due to the increase in the sales of well completion tools in the China market.

CUSTOMER ANALYSIS

Customer	2024 <i>(HK\$ million)</i>	2023 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	Approximate percentage of total revenue in 2024 <i>(%)</i>	Approximate percentage of total revenue in 2023 <i>(%)</i>
Customer 1	187.8	166.9	12.5%	64.2%	53.0%
Customer 2	70.3	66.8	5.2%	24.0%	21.2%
Customer 3	18.2	45.9	-60.3%	6.2%	14.6%
Customer 4	4.6	–	N/A	1.6%	–
Customer 5	2.9	–	N/A	1.0%	–
Other customers	8.6	35.2	-75.6%	3.0%	11.2%
Total	292.4	314.8	-7.1%	100%	100%

The revenue from customer 1 amounted to approximately HK\$187.8 million in 2024, which increased by approximately HK\$20.9 million or approximately 12.5% from approximately HK\$166.9 million in 2023. The increase was mainly due to the increase in production enhancement services provided to this customer in Southwestern China, which was partly offset by the decrease in production enhancement services to this customer in Northwestern China and the decrease in the provision of drilling services to this customer in Northern China. The revenue from customer 2 amounted to approximately HK\$70.3 million in 2024, which increased by approximately HK\$3.5 million or approximately 5.2% from approximately HK\$66.8 million in 2023. This increase was mainly due to the increase in drilling services provided to and the increase in well completion tools sold to this customer in Northwestern China and the increase in supervisory services provided to this customer in other regions in China, being partly offset by the decrease in production enhancement services provided to this customer in Northern China. The revenue from customer 3 amounted to approximately HK\$18.2 million in 2024, which decreased by approximately HK\$27.7 million or approximately 60.3% from approximately HK\$45.9 million in 2023. Such decrease was mainly attributable to the decrease in supervisory services provided to this customer in the Middle East, being partly offset by the increase in the provision of integrated project management services to this customer in the Middle East. The revenue from customer 4 amounted to approximately HK\$4.6 million in 2024 (2023: Nil), which was derived from production enhancement services provided to this customer in Southwestern China. The revenue from customer 5 amounted to approximately HK\$2.9 million in 2024 (2023: Nil), which was derived from drilling services provided to this customer in other overseas region. The revenue from other customers amounted to approximately HK\$8.6 million in 2024, which dropped by approximately HK\$26.6 million or approximately 75.6% from approximately HK\$35.2 million in 2023. Such decrease in revenue mainly resulted from the decrease in production enhancement services provided to certain customers in Southwestern China.

HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures with detailed requirements on compensation, dismissal, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged a series of training courses that cover technical update of drilling and completion technology, technical practice training, control at wells and environment management. We have also worked with external organisations such as unions and consultants to provide trainings for the specific needs of the Group's operations. The Group arranged 133 trainings consisting of more than 9,222 hours in total and 178 employees attended these training programs in 2024.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 195 employees as at 31 December 2024, which decreased by approximately 23.8% as compared with that of 256 employees as at 31 December 2023. The decrease in the number of employees was mainly due to the completion of certain consultancy service contracts in the Middle East in the first quarter of 2024 which were not subsequently renewed.

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, surface facilities for safety and flow control, drilling fluids and fracturing liquid.

During the Year, apart from the research and development of oilfield service technologies, the Group has also conducted various studies on new energy utilisation including carbon dioxide geological storage, LNG cold energy utilisation, solidification hydrogen storage, geothermal energy utilisation, and in-situ underground coal-to-hydrogen production technologies.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 31 December 2024, the Group had 33 utility model patents and 10 innovation patents and was applying for 33 utility model patents and 8 innovation patents.

In 2025, the Group will continue its efforts in developing technologies through in-house research and development and through cooperation with other technology companies and research institutes.

OUTLOOK

During the Year, the Brent crude oil price remained strong and fluctuated between approximately US\$68-92/barrel throughout the Year. With the international oil price remaining stable and the PRC's national policy to encourage shale gas consumption for environmental protection, the Group believes that the market demands for production enhancement services and other oilfield services offered by the Group will remain stable in 2025.

Looking ahead to 2025, 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 various kinds of green and renewable energy projects and/or other new energy related businesses. With the committed efforts of our staff and management, we are cautiously optimistic on the prospects of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	4	292,444	314,840
Other income		2,333	716
Operating costs			
Material costs		(41,390)	(48,061)
Depreciation of property, plant and equipment		(24,038)	(34,597)
Depreciation of right-of-use assets		(1,843)	(1,717)
Expenses related to short-term leases		(3,191)	(3,616)
Employee benefit expenses		(44,012)	(48,644)
Distribution expenses		(6,067)	(3,782)
Technical service fees		(124,433)	(143,062)
Research and development expenses		(23,109)	(23,663)
Entertainment and marketing expenses		(9,254)	(12,734)
Other expenses		(22,222)	(24,630)
Net reversal of impairment/(impairment loss) on financial assets		11,165	(5,635)
Net reversal of impairment/(impairment loss) on contract assets		1,570	(1,304)
Impairment loss on goodwill		–	(58,900)
Reversal of write-down/(write-down) of inventories to net realisable value		1,817	(2,066)
Other gains and losses, net	5	(4,570)	28,324
Operating profit/(loss)		5,200	(68,531)
Finance income	6	1,344	3,458
Finance costs	6	(12,844)	(15,003)
Finance costs, net		(11,500)	(11,545)
Share of results of associates		(6,999)	8,669
Loss before income tax expense		(13,299)	(71,407)
Income tax expense	7	(1,363)	(3,330)
Loss for the year		(14,662)	(74,737)

		Year ended 31 December	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,503	2,193
Release of translation reserve upon disposal and deemed disposal of associates		(41)	(224)
Release of translation reserve upon derecognition of a subsidiary		1,598	—
Share of other comprehensive income of associates		(174)	75
Other comprehensive income for the year, net of tax		2,886	2,044
Total comprehensive income for the year		(11,776)	(72,693)
(Loss)/profit for the year attributable to:			
Owners of the Company		(17,788)	(73,510)
Non-controlling interests		3,126	(1,227)
		(14,662)	(74,737)
Total comprehensive income for the year attributable to:			
Owners of the Company		(14,895)	(71,330)
Non-controlling interests		3,119	(1,363)
		(11,776)	(72,693)
Loss per share attributable to owners of the Company during the year			
Loss per share – basic and diluted (HK cents)	8	(1.0)	(4.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		108,239	127,259
Intangible assets		26,756	26,756
Right-of-use assets		1,460	2,808
Financial asset at fair value through profit or loss (“FVTPL”)		5,355	8,493
Interests in associates		84,376	90,670
Other receivables and deposits		22	398
		226,208	256,384
Current assets			
Inventories		8,406	21,060
Trade receivables	<i>10</i>	201,648	205,712
Contract assets		110,082	120,067
Other receivables and deposits		42,169	65,322
Prepayments		10,089	11,857
Cash and cash equivalents		15,607	26,294
Restricted bank deposits		28,730	5,315
		416,731	455,627
Current liabilities			
Trade payables	<i>11</i>	203,232	222,673
Other payables and accruals		104,175	106,003
Contract liabilities		1,554	773
Lease liabilities		1,295	1,723
Bank and other borrowings		106,389	101,951
Financial liabilities at FVTPL		451	–
		417,096	433,123
Net current (liabilities)/assets		(365)	22,504
Total assets less current liabilities		225,843	278,888

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	40,797	85,110
Lease liabilities	168	1,169
Financial liabilities at FVTPL	<u>4,615</u>	<u>1,454</u>
	<u>45,580</u>	<u>87,733</u>
Net assets	<u><u>180,263</u></u>	<u><u>191,155</u></u>
EQUITY		
Capital and reserves		
Share capital	2,001,073	2,001,073
Other reserves	89,392	85,615
Accumulated losses	<u>(1,917,647)</u>	<u>(1,899,859)</u>
Equity attributable to owners of the Company	172,818	186,829
Non-controlling interests	<u>7,445</u>	<u>4,326</u>
Total equity	<u><u>180,263</u></u>	<u><u>191,155</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in the provision of oilfield technology services covering various stages in the life cycle of oilfields including drilling 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.

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

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards including International Financial Reporting Standards (“**IFRS**”) and International Accounting Standards (“**IAS**”) and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of consolidated financial statements in compliance with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise judgment in applying the Group’s accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements.

(b) Basis of measurement and going concern assumption

(i) *Basis of measurement*

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

(ii) *Going concern assumption*

The Group reported a net loss of approximately HK\$14,662,000 during the year ended 31 December 2024, and as of that date, the Group had net current liabilities of approximately HK\$365,000 and total current bank and other borrowings of approximately HK\$106,389,000, while the Group only had cash and cash equivalents of approximately HK\$15,607,000.

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) In January 2025 and March 2025, the Group has obtained and drawn down additional loan facilities with an aggregate amount of RMB49,500,000 from a bank located in the People’s Republic of China (the “**PRC**”). The Group is also actively negotiating with the same bank for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC; and
- (b) As at 31 December 2024, the Group has unutilised loan facility with an amount of RMB30,000,000 which is granted by a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. Subsequent to 31 December 2024, the Group has not drawn down such loan facility.

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.

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 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;
- (ii) successfully drawing down the new loan facility from the relevant money lending company; and
- (iii) operations of the oilfield project tools and services based on the expected project schedules.

Notwithstanding the above, these indicate the existence of a material uncertainty 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.

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

3 ADOPTION OF IFRS ACCOUNTING STANDARDS

(a) Adoption of amended IFRS Accounting Standards – effective 1 January 2024

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

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

(b) New and amended IFRS Accounting Standards that have been issued but are not yet effective

The following new and amended IFRS Accounting Standards 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 ⁴
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – dependent Electricity ²
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS10 and IAS 7	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group is currently assessing the impact of these new and amended IFRS Accounting Standards. The Group does not expect the above standards issued by the International Accounting Standards Board, but are yet to be effective, to have a material impact on the Group financial position and performance, but expect there would be changes in presentation and disclosure of the consolidated financial statements due to the adoption of IFRS 18.

4 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, which are also the reportable segments, are entity or group of entities that offer different products and services.

They are also managed according to different nature of products and services. Most of these entities engaged in just single business, except for a few entities which deal with diversified operations. Financial information of these entities has been separated to present discrete segment information to be reviewed by the chief operating decision-maker ("CODM").

The Group has two operating segments as follows:

- Oilfield project tools and services provision of oilfield technology services including drilling, well completion and production enhancement with auxiliary activities in trading of oilfield and gas field related products
- Consultancy services provision of integrated project management services and supervisory services

(a) Revenue

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Production enhancement work	235,410	242,490
– Drilling work	26,532	20,393
– Well completion work	5,634	79
	<u>267,576</u>	<u>262,962</u>
Consultancy services		
– Integrated project management services	6,950	862
– Supervisory services	17,918	51,016
	<u>24,868</u>	<u>51,878</u>
Total revenue	<u><u>292,444</u></u>	<u><u>314,840</u></u>
Timing of revenue recognition within the scope of IFRS 15:		
– At a point in time	2,803	6,756
– Over time	289,641	308,084
	<u><u>292,444</u></u>	<u><u>314,840</u></u>

(b) Segment results

The segment results for the year ended 31 December 2024 are as follows:

	Oilfield project tools and services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2024			
Revenue from external customers	267,576	24,868	292,444
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Total segment revenue	<u>267,576</u>	<u>24,868</u>	<u>292,444</u>
Segment results	<u>(10,053)</u>	<u>14,914</u>	4,861
Net unallocated expenses			<u>(18,160)</u>
Loss before income tax expense			<u>(13,299)</u>

The segment results for the year ended 31 December 2023 are as follows:

	Oilfield project tools and services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023			
Revenue from external customers	262,962	51,878	314,840
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Total segment revenue	<u>262,962</u>	<u>51,878</u>	<u>314,840</u>
Segment results	<u>(59,506)</u>	<u>(38,244)</u>	(97,750)
Net unallocated income			<u>26,343</u>
Loss before income tax expense			<u>(71,407)</u>

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

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

	2024 HK\$'000	2023 HK\$'000
Segment results	4,861	(97,750)
Depreciation of property, plant and equipment	(597)	(430)
Depreciation of right-of-use assets	(339)	(1,460)
Finance costs	(3,297)	(5,416)
Finance income	1,344	3,458
Other income	2,333	716
Other gains and losses, net	(4,570)	28,324
Share of results of associates	(6,999)	8,669
Other unallocated corporate expenses	(6,035)	(7,518)
	<u>(13,299)</u>	<u>(71,407)</u>
Consolidated loss before income tax expense	<u>(13,299)</u>	<u>(71,407)</u>

5 OTHER GAINS AND LOSSES, NET

	2024 HK\$'000	2023 HK\$'000
(Loss)/gain on disposals of property, plant and equipment	(105)	4,798
Gain on dilution of interests in associates	–	10,318
Gain on disposal of interests in associates	2,184	3,645
Loss on deregistration of a subsidiary	(1,680)	(332)
Loss on disposal of a subsidiary	(22)	–
Fair value (loss)/gain on financial assets at FVTPL	(3,005)	2,431
Fair value (loss)/gain on financial liabilities at FVTPL	(2,807)	171
Gain on lease modifications	12	–
Government grant	949	6,308
Foreign exchange gains, net	1,061	1,548
Others	(1,157)	(563)
	<u>(4,570)</u>	<u>28,324</u>

6 FINANCE INCOME AND COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income from bank deposits	70	49
Interest income from related parties	640	2,875
Interest income from others	<u>634</u>	<u>534</u>
Finance income	<u>1,344</u>	<u>3,458</u>
Interest expenses:		
– Bank and other borrowings	(12,672)	(14,753)
– Lease liabilities	<u>(172)</u>	<u>(250)</u>
Finance costs	<u>(12,844)</u>	<u>(15,003)</u>
Finance costs, net	<u>(11,500)</u>	<u>(11,545)</u>

7 INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax		
– PRC corporate income tax	–	21
– (Over)/under provision in prior year	<u>(21)</u>	<u>232</u>
	(21)	253
Overseas withholding tax	<u>1,384</u>	<u>3,077</u>
Income tax expense	<u>1,363</u>	<u>3,330</u>

8 LOSS PER SHARE

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

	2024	2023
Loss for the year attributable to owners of the Company (HK\$'000)	(17,788)	(73,510)
Weighted average number of ordinary shares (Number of shares in thousand)	1,726,674	1,726,674
Basic and diluted loss per share (HK cents)	<u>(1.0)</u>	<u>(4.3)</u>

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

Diluted loss per share for the year ended 31 December 2024 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2023: Same) as the conversion of potential ordinary shares in relation to the share options (2023: share options) have an anti-dilutive effect to the basic loss per share.

9 DIVIDEND

For the year ended 31 December 2024, no interim dividend was declared by the Company to its shareholders (2023: Nil).

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

10 TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	206,555	222,113
Less: provision for impairment of trade receivables	<u>(4,907)</u>	<u>(16,401)</u>
Trade receivables – net	<u><u>201,648</u></u>	<u><u>205,712</u></u>

Ageing analysis of gross trade receivables by invoice date is as follows:

	2024 HK\$'000	2023 HK\$'000
Up to 3 months	160,362	153,644
3 to 6 months	38,582	17,466
6 to 12 months	2,545	28,328
Over 12 months	<u>5,066</u>	<u>22,675</u>
Trade receivables – gross	<u><u>206,555</u></u>	<u><u>222,113</u></u>

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

11 TRADE PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	<u><u>203,232</u></u>	<u><u>222,673</u></u>

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

	2024 HK\$'000	2023 HK\$'000
Up to 3 months	87,226	80,910
3 to 6 months	9,529	27,121
6 to 12 months	23,619	43,153
Over 12 months	<u>82,858</u>	<u>71,489</u>
	<u><u>203,232</u></u>	<u><u>222,673</u></u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b)(ii) to the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK\$14,662,000 during the year ended 31 December 2024, and as of that date, the Group had net current liabilities of approximately HK\$365,000 and total current bank and other borrowings of approximately HK\$106,389,000, while the Group only had cash and cash equivalents of approximately HK\$15,607,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to approximately HK\$292.4 million, which decreased by approximately HK\$22.4 million as compared to that of approximately HK\$314.8 million in 2023, representing a decrease of approximately 7.1%. The decrease in revenue was mainly due to the decrease in the provision of consultancy services in the Middle East as a result of the completion of certain service contracts in the first quarter of 2024 which were not subsequently renewed.

Material Costs

During the Year, the Group's material costs were approximately HK\$41.4 million, which decreased by approximately HK\$6.7 million or approximately 13.9% as compared with that of approximately HK\$48.1 million in 2023. Material costs represented approximately 14.2% of the revenue in 2024, which was slightly lower than that of approximately 15.3% in 2023. The decrease in material costs as a percentage of revenue in 2024 was mainly resulted from the increase in the utilisation of electrical fracturing equipment for the Group's production enhancement services provided in the PRC, which in turn decreased the use of diesel during the Year.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK\$24.0 million, which decreased by approximately HK\$10.6 million or approximately 30.6% as compared with that of approximately HK\$34.6 million in 2023. Depreciation decreased as certain property, plant and equipment has been fully depreciated during the third quarter of 2024.

Employee Benefit Expenses

During the Year, the Group's employee benefit expenses were approximately HK\$44.0 million, which decreased by approximately HK\$4.6 million or approximately 9.5% as compared with that of approximately HK\$48.6 million in 2023. Employee benefit expenses decreased in 2024 as the Group has retained fewer employees upon the completion of certain supervisory service contracts in the Middle East in the first quarter of 2024 which were not subsequently renewed.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK\$124.4 million, which decreased by approximately HK\$18.7 million or approximately 13.1% from approximately HK\$143.1 million in 2023. Technical service fees decreased in 2024 as the Group has utilised less technical services for the production enhancement projects in Southwestern China during the Year.

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

During the Year, net reversal of impairment on financial assets amounted to approximately HK\$11.2 million, as compared net impairment loss on financial assets of approximately HK\$5.6 million in 2023. The net reversal of impairment on financial assets was due to the improvement in the credit quality of certain trade debtors in 2024.

Impairment Loss on Goodwill

As certain contracts for the Group's consultancy services provided in the Middle East was not expected to be renewed in 2024, the Group assessed the recoverable amount of goodwill in relation to the consultancy cash-generating unit ("CGU") and an impairment loss of HK\$58.9 million was recognised in 2023. Based on the impairment testing of the CGU, no impairment loss was recognised in 2024.

Other Gains and Losses, Net

During the Year, the Group recorded net other losses of approximately HK\$4.6 million (2023: net other gains of approximately 28.3 million). Net other losses mainly include fair value loss on financial assets and financial liabilities at FVTPL during the Year.

Operating Profit/(Loss)

As a result of the foregoing, the Group's operating profit in 2024 amounted to approximately HK\$5.2 million, as compared with operating loss of approximately HK\$68.5 million in 2023.

Share of Results of Associates

During the Year, the Group recorded share of net loss of associates of approximately HK\$7.0 million (2023: share of net profit of HK\$8.7 million). The balance mainly represented the Group's share of results of Petro-king Energy Technology Co., Ltd. (formerly known as Petro-king Energy Technology (Huizhou) Co., Ltd.) ("**Petro-king Energy**") and its subsidiaries (collectively referred to as the "**Petro-king Energy Group**") during the Year. Petro-king Energy has not declared any dividend in 2024 (2023: Nil).

Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK\$14.7 million, which decreased by approximately HK\$60.0 million or approximately 80.3% as compared with that of approximately HK\$74.7 million in 2023.

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 2024 was approximately HK\$17.8 million, which decreased by approximately HK\$55.7 million or approximately 75.8% as compared with that of approximately HK\$73.5 million in 2023.

Property, Plant and Equipment

Property, plant and equipment mainly include items such as plant and machinery, service equipment, motor vehicles, furniture, office equipment, computers, fixtures and fittings. As at 31 December 2024, the Group's property, plant and equipment amounted to approximately HK\$108.2 million, which decreased by approximately HK\$19.1 million or approximately 15.0% from approximately HK\$127.3 million as at 31 December 2023. The decrease was mainly due to depreciation expense charged during the Year.

Interests in Associates

As at 31 December 2024, the Group's interests in associates amounted to approximately HK\$84.4 million, representing a decrease of approximately HK\$6.3 million as compared with that of approximately HK\$90.7 million as at 31 December 2023. The decrease was mainly due to the Group's share of loss in the Petro-king Energy Group in 2024 and the Group's disposal of approximately 0.78% equity interest in Petro-king Energy in 2024. As at 31 December 2024, the carrying amount of the Group's interest in Petro-king Energy was approximately HK\$84.4 million (31 December 2023: HK\$90.7 million), which represented approximately 13.1% (31 December 2023: 12.7%) of the Group's total assets. As at 31 December 2024, the Group held approximately 27.67% equity interest in Petro-king Energy (31 December 2023: approximately 28.45%). The Group's equity interest in Petro-king Energy has decreased by approximately 0.78% due to the Group's partial disposal of its equity interest in Petro-king Energy in 2024.

Other Receivables and Deposits

As at 31 December 2024, the sum of current and non-current other receivables and deposits amounted to approximately HK\$42.2 million, representing a decrease of approximately HK\$23.5 million or approximately 35.8% as compared with that of approximately HK\$65.7 million as at 31 December 2023. The decrease in other receivables and deposits was mainly resulted from the repayment of certain amounts due from the Petro-king Energy Group in 2024.

Inventories

As at 31 December 2024, the Group's inventories amounted to approximately HK\$8.4 million, representing a decrease of approximately HK\$12.7 million or approximately 60.2% as compared with that of approximately HK\$21.1 million as at 31 December 2023. The decrease in the level of inventories was mainly resulted from the consumption of inventories during the Year. The inventory turnover days in 2024 was approximately 130 days, which was similar to that of approximately 129 days in 2023.

Trade Receivables

As at 31 December 2024, the Group's trade receivables amounted to approximately HK\$201.6 million, representing a decrease of approximately HK\$4.1 million or approximately 2.0% as compared with that of approximately HK\$205.7 million as at 31 December 2023. The average turnover days of trade receivables was approximately 255 days in 2024, representing an increase of approximately 8 days as compared with that of approximately 247 days in 2023. Trade receivables turnover days increased mainly due to the slightly slower 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 2024, the Group's contract assets amounted to approximately HK\$110.1 million, representing a decrease of approximately HK\$10.0 million or approximately 8.3% as compared with that of approximately HK\$120.1 million as at 31 December 2023. The decrease was mainly due to the decrease in unbilled works related to the provision of production enhancement services to certain customers in 2024.

Trade Payables

As at 31 December 2024, the Group's trade payables were approximately HK\$203.2 million, which decreased by approximately HK\$19.5 million or approximately 8.8% as compared with that of approximately HK\$222.7 million as at 31 December 2023. The average turnover days of trade payables increased from approximately 445 days in 2023 to approximately 470 days in 2024, representing an increase of approximately 25 days. The increase in turnover days of trade payables mainly resulted from the slower payment of trade payables to suppliers in 2024.

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 2024, the Group's cash and cash equivalents amounted to approximately HK\$15.6 million, representing a decrease of approximately HK\$10.7 million as compared with that of approximately HK\$26.3 million as at 31 December 2023. The cash and cash equivalents were mainly held in RMB and US\$.

As at 31 December 2024, bank deposits of approximately RMB26.6 million (equivalent to approximately HK\$28.7 million) (31 December 2023: RMB4.8 million, equivalent to approximately HK\$5.3 million) have been frozen by the courts pending the outcome of an appeal in relation to the claims of technical service fees of approximately RMB28.9 million, together with any interest accrued thereon, by a service provider against an indirectly wholly-owned subsidiary of the Company (the "**Defendant**"). Further details of the claims and the appeal were set out in the Company's announcements dated 29 January, 12 June and 2 July 2024. On 25 March 2025, the Defendant has received a hearing summons issued by the court with the appeal hearing date set at 26 May 2025. The Company will keep its shareholders and potential investors informed of further material developments of the appeal, if any, by way of further announcement(s) as and when appropriate.

As at 31 December 2024, the Group's bank and other borrowings amounted to approximately HK\$147.2 million (31 December 2023: HK\$187.1 million), of which approximately 72.3% (31 December 2023: 54.5%) was repayable within one year. As at 31 December 2024, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2023: 100%) of such borrowings bore interests at fixed lending rates.

As at 31 December 2024, certain machineries of the Group with carrying values of approximately HK\$59.1 million (31 December 2023: HK\$73.1 million) were pledged to secure certain instalment loans granted to the Group. In addition, certain trade receivables of approximately HK\$71.9 million (31 December 2023: HK\$108.9 million) was pledged to secure certain bank borrowings of the Group as at 31 December 2024.

Gearing Ratio

As at 31 December 2024, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 36.7% (2023: 45.3%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated financial information) less total cash (including "restricted bank deposits" and "cash and cash equivalents" as shown in the consolidated financial information). Total capital is calculated as "equity" as shown in the consolidated financial information plus net debt.

Foreign Exchange Risk

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and RMB. Foreign exchange risk mainly arises from trade and other receivables, cash and cash equivalents, trade and other payables, intra-group balance and bank borrowings in foreign currencies.

Capital Commitment

As at 31 December 2024, the Group did not have any capital commitment (31 December 2023: Nil).

Off-balance Sheet Arrangements

As at 31 December 2024, the Group did not have any off-balance sheet arrangements (31 December 2023: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provision(s)**”) of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. During the Year, the Company has complied with the Code Provisions in all applicable aspects.

DIRECTORS’ SECURITIES TRANSACTIONS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for carrying out transactions in the Company’s securities by the Directors. After specific enquiry with the Directors, the Company confirms that all Directors have fully complied with the required standard of dealings as set out in the Model Code during the Year.

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

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

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, there was no event that might affect the Group significantly since the end of the reporting period and up to the date of this announcement.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

AUDIT COMMITTEE

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

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

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

Hong Kong, 26 March 2025

As at the date of this announcement, the executive Directors are Mr. Zhao Jindong, Mr. Lin Jingyu and Ms. Zhou SiSi; the non-executive Director is Mr. Wang Jinlong; and the independent non-executive Directors are Mr. Leung Lin Cheong, Mr. Xin Junhe and Mr. Zhang Dawei.