

2025 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	2025 HK\$'000	2024 HK\$'000	Change	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	267,906	292,444	-8.4%	314,840	313,771	163,967
Operating profit/(loss)	19,117	5,200	267.6%	(68,531)	(24,322)	(80,523)
Profit/(Loss) for the year from continuing operations	22,869	(14,662)	N/A	(74,737)	(27,540)	(94,629)
Profit for the year from discontinued operations	–	–	N/A	–	–	17,897
Profit/(Loss) for the year	22,869	(14,662)	N/A	(74,737)	(27,540)	(76,732)
Earnings/(Loss) per share						
Basic (HK\$ cents)	1.3	(1.0)	N/A	(4.3)	(1.7)	(4.7)
Diluted (HK\$ cents)	1.3	(1.0)	N/A	(4.3)	(1.7)	(4.7)

CONSOLIDATED BALANCE SHEET

As at 31 December	2025 HK\$'000	2024 HK\$'000	Change	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total assets	683,188	642,939	6.3%	712,011	823,412	716,490
Non-current assets	236,365	226,208	4.5%	256,384	370,423	321,065
Current assets	446,823	416,731	7.2%	455,627	452,989	395,425
Total liabilities	474,480	462,676	2.6%	520,856	561,677	425,811
Non-current liabilities	39,655	45,580	-13.0%	87,733	134,399	70,474
Current liabilities	434,825	417,096	4.3%	433,123	427,278	355,337
Net current assets/(liabilities)	11,998	(365)	N/A	22,504	25,711	40,088
Net assets	208,708	180,263	15.8%	191,155	261,735	290,679

FINANCIAL INDICATORS

For the year ended 31 December	2025	2024	2023	2022	2021
Trade receivables turnover days (Note 1)	234	255	247	236	451
Inventory turnover days (Note 1)	77	130	129	96	667
Trade payables turnover days (Note 1)	508	470	445	377	954
Current ratio	1.03	1.0	1.05	1.06	1.11
Gearing ratio (Note 2)	24.2%	36.7%	45.3%	42.2%	35.5%
Return on Equity (Note 3)	11.8%	-7.9%	-33.0%	-10.0%	-23.8%

Note 1: 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 profit/(loss) for the year over the average of the total equity at the beginning and end of the financial year.

CORPORATE PROFILE AND STRUCTURE

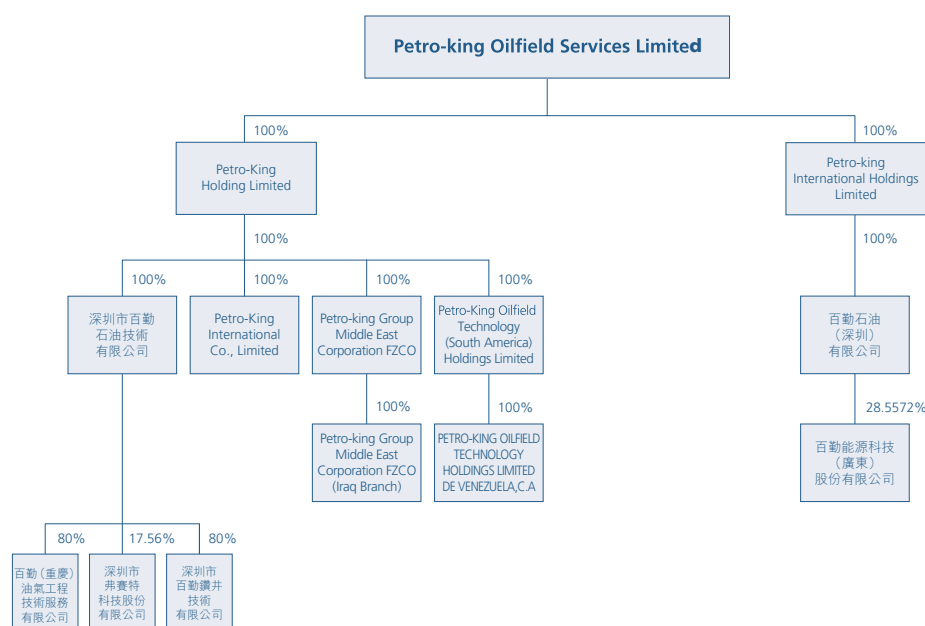
CORPORATE PROFILE

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

We provide oilfield and gas field technology services covering various stages in the life cycle of oilfields and gas fields including 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 but not limited to 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, Uzbekistan and Cameroon.

CORPORATE STRUCTURE AS AT 31 DECEMBER 2025



● 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 2025 (the “**Year**” or “**2025**”).

OVERVIEW

The Group’s revenue and profit for the Year were approximately HK\$267.9 million (2024: HK\$292.4 million) and HK\$22.9 million (2024: loss of HK\$14.7 million), respectively. Basic earnings per share attributable to owners of the Company for the Year was approximately HK1.3 cents (2024: Basic loss per share HK1.0 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2024: 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.

Benefitting from the stable international oil price in 2025 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. Nevertheless, the Group's revenue from the overseas market decreased in 2025 due to the completion of certain consultancy service contracts in 2024 which were not subsequently renewed. The Group's total revenue decreased by approximately HK\$24.5 million or approximately 8.4% from approximately HK\$292.4 million in 2024 to approximately HK\$267.9 million in 2025.

OUTLOOK

During the Year, the Brent crude oil price remained strong and fluctuated between approximately US\$58-83/barrel throughout the Year. Although the international oil price has been volatile since the outbreak of the Iranian War in 2026, the Group believes that there will be limited adverse impact on the Group's operation as the majority part of the Group's revenue has been generated from the China Market. With the PRC's national policy to ensure energy safety and 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 relatively stable in 2026.

Looking ahead to 2026, 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.

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, 25 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHICAL MARKET ANALYSIS

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

	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2025 (%)	Approximate percentage of total revenue in 2024 (%)
China market	261.3	268.2	-2.6%	97.5%	91.7%
Overseas market	6.6	24.2	-72.7%	2.5%	8.3%
Total	267.9	292.4	-8.4%	100%	100%

As a result of the stable international oil price in 2025 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 decreased by approximately HK\$6.9 million or approximately 2.6% to approximately HK\$261.3 million in 2025 from approximately HK\$268.2 million in 2024. The decrease in revenue from the China market was mainly due to the decrease in the provision of production enhancement services in Southwestern China, which was partly offset by the increase in the sales of well completion products in Northwestern China and the increase in the provision of drilling services in Northwestern China.

The Group's revenue from the overseas market decreased by approximately HK\$17.6 million or approximately 72.7% to approximately HK\$6.6 million in 2025 from approximately HK\$24.2 million in 2024. 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 2024 which were not subsequently renewed. In addition, the integrated project management services provided to a customer in the Middle East and the drilling services provided to a customer in Uzbekistan also decreased in 2025.

As a result of the foregoing, the Group's total revenue decreased by approximately HK\$24.5 million or approximately 8.4% from approximately HK\$292.4 million in 2024 to approximately HK\$267.9 million in 2025.

REVENUE FROM THE CHINA MARKET

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

	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the China market in 2025 (%)	Approximate percentage of total revenue from the China market in 2024 (%)
Northern China	53.6	49.8	7.6%	20.5%	18.6%
Southwestern China	166.6	185.2	-10.0%	63.8%	69.0%
Northwestern China	35.9	28.4	26.4%	13.7%	10.6%
Other regions in China	5.2	4.8	8.3%	2.0%	1.8%
Total	261.3	268.2	-2.6%	100%	100%

In 2025, the Group's revenue from Northern China amounted to approximately HK\$53.6 million, which increased by approximately HK\$3.8 million or approximately 7.6% from approximately HK\$49.8 million in 2024. The increase was mainly due to the increase in production enhancement services provided in Northern China.

The revenue from Southwestern China amounted to approximately HK\$166.6 million in 2025, which decreased by approximately HK\$18.6 million or approximately 10.0% from approximately HK\$185.2 million in 2024. The decrease was mainly due to the decrease in production enhancement services provided in Southwestern China.

The revenue from Northwestern China amounted to approximately HK\$35.9 million, which increased by approximately HK\$7.5 million or approximately 26.4% from approximately HK\$28.4 million in 2024. The increase was mainly due to the increase in drilling services provided in Northwestern China and the increase in the sales of well completion tools in Northwestern China.

The revenue from other regions in China amounted to approximately HK\$5.2 million in 2025, which increased by approximately HK\$0.4 million or approximately 8.3% from approximately HK\$4.8 million in 2024. The increase was mainly due to the increase in integrated project management services provided in other regions in China.

REVENUE FROM THE OVERSEAS MARKET

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

	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from the overseas market in 2025 (%)	Approximate percentage of total revenue from the overseas market in 2024 (%)
The Middle East	3.0	18.4	-83.7%	45.5%	76.0%
Others	3.6	5.8	-37.9%	54.5%	24.0%
Total	6.6	24.2	-72.7%	100%	100%

The revenue from the Middle East amounted to approximately HK\$3.0 million in 2025, which decreased by approximately HK\$15.4 million or approximately 83.7% from approximately HK\$18.4 million in 2024. 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 2024 which were not subsequently renewed. In addition, the integrated project management services provided to a customer in the Middle East also decreased in 2025.

The revenue from other overseas regions amounted to approximately HK\$3.6 million in 2025, which decreased by approximately HK\$2.2 million or approximately 37.9% from approximately HK\$5.8 million in 2024. The decrease was mainly due to the decrease in drilling services provided in Uzbekistan.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING SEGMENT ANALYSIS

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

	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2025 (%)	Approximate percentage of total revenue in 2024 (%)
Oilfield project tools and services	258.2	267.5	-3.5%	96.4%	91.5%
Consultancy services	9.7	24.9	-61.0%	3.6%	8.5%
Total	267.9	292.4	-8.4%	100%	100%

In 2025, the Group's revenue from oilfield project tools and services amounted to approximately HK\$258.2 million, which decreased by approximately HK\$9.3 million or approximately 3.5% from approximately HK\$267.5 million in 2024. The decrease in revenue was mainly due to the decrease in the provision of production enhancement services in Southwestern China, which was partly offset by the increase in the sales of well completion products in Northwestern China and the Middle East market and the increase in the provision of drilling services in Northwestern China.

The Group's revenue from consultancy services amounted to approximately HK\$9.7 million in 2025, which decreased by approximately HK\$15.2 million or approximately 61.0%, from approximately HK\$24.9 million in 2024. 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 2024 which were not subsequently renewed. In addition, the integrated project management services provided to a customer in the Middle East also decreased in 2025.

OILFIELD PROJECT TOOLS AND SERVICES

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

	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue from oilfield project tools and services in 2025 (%)	Approximate percentage of total revenue from oilfield project tools and services in 2024 (%)
Production enhancement	218.8	235.4	-7.1%	84.8%	88.0%
Drilling	30.8	26.5	16.2%	11.9%	9.9%
Well completion	8.6	5.6	53.6%	3.3%	2.1%
Total	258.2	267.5	-3.5%	100%	100%

Production Enhancement

In 2025, the Group's revenue from production enhancement services amounted to approximately HK\$218.8 million, which decreased by approximately HK\$16.6 million or approximately 7.1% from approximately HK\$235.4 million in 2024. The decrease was mainly due to the decrease in production enhancement services provided in Southwestern China, which was partly offset by the increase in production enhancement services provided in Northern China.

Drilling

The Group's revenue from drilling amounted to approximately HK\$30.8 million in 2025, which increased by approximately HK\$4.3 million or approximately 16.2% from approximately HK\$26.5 million in 2024. The increase was mainly due to the increase in drilling services provided in Northwestern China, which was partly offset by the decrease in drilling services provided in Uzbekistan.

In 2025, the Group completed drilling services for 20 wells (2024: 18). The drilling services were mainly provided in Northwestern China and other overseas regions.

Well Completion

In 2025, the Group's revenue from well completion amounted to approximately HK\$8.6 million, which increased by approximately HK\$3.0 million or approximately 53.6% from approximately HK\$5.6 million in 2024. The increase was mainly due to the increase in the sales of well completion tools in Northwestern China and the Middle East market.

MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMER ANALYSIS

Customer	2025 (HK\$ million)	2024 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2025 (%)	Approximate percentage of total revenue in 2024 (%)
Customer 1	154.1	187.8	-17.9%	57.5%	64.2%
Customer 2	78.9	70.3	12.2%	29.5%	24.1%
Customer 3	17.3	18.2	-4.9%	6.5%	6.2%
Customer 4	8.6	0.3	2766.7%	3.2%	0.1%
Customer 5	2.8	2.6	7.7%	1.0%	0.9%
Other customers	6.2	13.2	-53.0%	2.3%	4.5%
Total	267.9	292.4	-8.4%	100%	100%

The revenue from customer 1 amounted to approximately HK\$154.1 million in 2025, which decreased by approximately HK\$33.7 million or approximately 17.9% from approximately HK\$187.8 million in 2024. The decrease was mainly due to the decrease in production enhancement services provided to this customer in Southwestern China, which was partly offset by the increase in the provision of drilling services to this customer in Northwestern China. The revenue from customer 2 amounted to approximately HK\$78.9 million in 2025, which increased by approximately HK\$8.6 million or approximately 12.2% from approximately HK\$70.3 million in 2024. This increase was mainly due to the increase in production enhancement services provided in Northern China, the increase in drilling services provided in Northwestern China and the increase in the sales of well completion tools in Northwestern China. The revenue from customer 3 amounted to approximately HK\$17.3 million in 2025, which decreased by approximately HK\$0.9 million or approximately 4.9% from approximately HK\$18.2 million in 2024. Such decrease was mainly attributable to the decrease in supervisory services and integrated project management services provided to this customer in the Middle East, being partly offset by the increase in the provision of production enhancement service provided to this customer in Southwestern China. The revenue from customer 4 amounted to approximately HK\$8.6 million in 2025 (2024: HK\$0.3 million), which was derived from the production enhancement services provided to this customer in Southwestern China. The revenue from customer 5 amounted to approximately HK\$2.8 million in 2025 (2024: HK\$2.6 million), which was derived from the provision of supervisory services to this customer in other regions in China. The revenue from other customers amounted to approximately HK\$6.2 million in 2025, which dropped by approximately HK\$7.0 million or approximately 53.0% from approximately HK\$13.2 million in 2024. Such decrease in revenue mainly resulted from the decrease in production enhancement services provided to certain customers in Southwestern China and the decrease in drilling services provided to certain customers in other overseas region.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to approximately HK\$267.9 million, which decreased by approximately HK\$24.5 million as compared to that of approximately HK\$292.4 million in 2024, representing a decrease of approximately 8.4%. The decrease in revenue from the China market by approximately HK\$6.9 million was mainly due to the decrease in the provision of production enhancement services in Southwestern China, which was partly offset by the increase in the sales of well completion products in Northwestern China and the increase in the provision of drilling services in Northwestern China. The decrease in revenue in the overseas market by approximately HK\$17.6 million 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 2024 which were not subsequently renewed. In addition, the integrated project management services provided to a customer in the Middle East and the drilling services provided to a customer in Uzbekistan also decreased in 2025.

Material Costs

During the Year, the Group's material costs were approximately HK\$47.5 million, which increased by approximately HK\$6.1 million or approximately 14.7% as compared with that of approximately HK\$41.4 million in 2024. Material costs represented approximately 17.7% of the revenue in 2025, as compared with that of approximately 14.2% in 2024. The increase in material costs as a percentage of revenue in 2025 was mainly due to the increase in the consumption of diesel for certain production enhancement projects in the PRC during the Year as the geographical locations of such work sites hindered the utilisation of electrical fracturing equipment.

Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK\$13.7 million, which decreased by approximately HK\$10.3 million or approximately 42.9% as compared with that of approximately HK\$24.0 million in 2024. Depreciation decreased as certain plant and machineries had been depreciated to their residual values during 2024.

Employee Benefit Expenses

During the Year, the Group's employee benefit expenses were approximately HK\$31.4 million, which decreased by approximately HK\$12.6 million or approximately 28.6% as compared with that of approximately HK\$44.0 million in 2024. Employee benefit expenses decreased in 2025 as the Group has incurred less salaries for certain supervisory service projects in the Middle East which was completed in 2024 and were not subsequently renewed. In addition, the overall decrease in revenue was consistent with the decrease in employee benefit expenses during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Expenses

During the Year, the Group's distribution expenses amounted to approximately HK\$2.3 million, which decreased by approximately HK\$3.8 million or approximately 62.3% from approximately HK\$6.1 million in 2024. The decrease in distribution expenses was mainly due to the decrease in the import and export of products to and from the PRC during the Year.

Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK\$107.6 million, which decreased by approximately HK\$16.8 million or approximately 13.5% from approximately HK\$124.4 million in 2024. The decrease in technical service fees during the Year was consistent with the decrease in revenue of the Group during the Year.

Net Reversal of Impairment on Financial Assets

During the Year, net reversal of impairment on financial assets amounted to approximately HK\$1.3 million (2024: HK\$11.2 million). The net reversal of impairment on financial assets was due to the improvement in the credit quality of trade debtors in 2025.

Other Gains and Losses, Net

During the Year, the Group recorded net other gains of approximately HK\$1.9 million (2024: net other losses of approximately HK\$4.6 million). Net other gains mainly included government subsidies entitled by the Group during the Year, which was partly offset by the loss on deemed acquisition of interests in associates during the Year.

Operating Profit

As a result of the foregoing, the Group's operating profit in 2025 amounted to approximately HK\$19.1 million, which increased by approximately HK\$13.9 million as compared with that of approximately HK\$5.2 million in 2024.

Share of Results of Associates

During the Year, the Group recorded share of net profit of associates of approximately HK\$15.8 million (2024: share of net loss of HK\$7.0 million). The balance mainly represented the Group's share of results of Petro-king Energy Technology Co., Ltd. ("**Petro-king Energy**") and its subsidiaries (collectively referred to as the "**Petro-king Energy Group**") during the Year. The improvement in the profitability of the Petro-king Energy Group was mainly resulted from the increase in revenue generated from the sales of well completion products in both the PRC and the overseas market. Petro-king Energy has not declared any dividend in 2025 (2024: Nil).

Profit/(loss) for the Year

As a result of the foregoing, the Group's profit for the Year amounted to approximately HK\$22.9 million, as compared with a loss of approximately HK\$14.7 million in 2024.

Profit/(loss) for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group's profit for the year attributable to owners of the Company in 2025 was approximately HK\$23.2 million, as compared with a loss of approximately HK\$17.8 million in 2024.

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 2025, the Group's property, plant and equipment amounted to approximately HK\$100.2 million, which decreased by approximately HK\$8.0 million or approximately 7.4% from approximately HK\$108.2 million as at 31 December 2024. The decrease was mainly due to depreciation expense charged during the Year, which was partly offset by the effect of foreign exchange gain during the Year.

Interests in Associates

As at 31 December 2025, the Group's interests in associates amounted to approximately HK\$98.4 million, representing an increase of approximately HK\$14.0 million as compared with that of approximately HK\$84.4 million as at 31 December 2024. The increase was mainly due to the Group's share of profit in the Petro-king Energy Group in 2025. As at 31 December 2025, the carrying amount of the Group's interest in Petro-king Energy was approximately HK\$98.4 million (31 December 2024: HK\$84.4 million), which represented approximately 14.4% (31 December 2024: 13.1%) of the Group's total assets. As at 31 December 2025, the Group held approximately 28.56% equity interest in Petro-king Energy (31 December 2024: approximately 27.67%). The Group's equity interest in Petro-king Energy has increased by approximately 0.89% due to the reduction in capital made by Petro-king Energy in 2025. The Group presently intends to retain the major part of its interest in Petro-king Energy for long term investment, but will also consider the needs to partially dispose a portion of its interest in Petro-king Energy depending on the future liquidity requirements of the Group. Details of the Group's interests in associates are set out in note 31 to the financial statements.

Inventories

As at 31 December 2025, the Group's inventories amounted to approximately HK\$11.5 million, representing an increase of approximately HK\$3.1 million or approximately 36.9% as compared with that of approximately HK\$8.4 million as at 31 December 2024. The increase in the level of inventories was mainly resulted from the purchase of certain inventories for consumption in next year. The inventory turnover days in 2025 was approximately 77 days, which decreased by approximately 53 days as compared with approximately 130 days in 2024. The decrease in inventory turnover days in 2025 was mainly due to more stringent inventory control adopted by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade Receivables

As at 31 December 2025, the Group's trade receivables amounted to approximately HK\$141.5 million, representing a decrease of approximately HK\$60.1 million or approximately 29.8% as compared with that of approximately HK\$201.6 million as at 31 December 2024. Trade receivables decreased as certain oilfield service works completed by the Group during the year was not yet billed as at 31 December 2025, which also contributed to the increase in the balance of contract assets as at 31 December 2025. The average turnover days of trade receivables was approximately 234 days in 2025, representing a decrease of approximately 21 days as compared with that of approximately 255 days in 2024. Trade receivables turnover days slightly decreased mainly due to the faster collection of receivables from the Group's customers in 2025.

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 2025, the Group's contract assets amounted to approximately HK\$166.2 million, representing an increase of approximately HK\$56.1 million or approximately 51.0% as compared with that of approximately HK\$110.1 million as at 31 December 2024. The increase was mainly due to the increase in unbilled works related to the provision of production enhancement services to certain customers in 2025.

Trade Payables

As at 31 December 2025, the Group's trade payables were approximately HK\$228.4 million, which increased by approximately HK\$25.2 million or approximately 12.4% as compared with that of approximately HK\$203.2 million as at 31 December 2024. The average turnover days of trade payables increased from approximately 470 days in 2024 to approximately 508 days in 2025, representing an increase of approximately 38 days. The increase in turnover days of trade payables mainly resulted from the slower payment of trade payables to suppliers in 2025.

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 2025, the Group's cash and cash equivalents amounted to approximately HK\$44.5 million, representing an increase of approximately HK\$28.9 million as compared with that of approximately HK\$15.6 million as at 31 December 2024. The cash and cash equivalents were mainly held in RMB and US\$.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, bank deposits of approximately RMB28.9 million (equivalent to approximately HK\$32.0 million) (31 December 2024: RMB26.6 million, equivalent to approximately HK\$28.7 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. The appeal hearing has taken place on 26 May 2025 but no ruling result has been issued by the court up to the date of this report. 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 2025, the Group’s bank and other borrowings amounted to approximately HK\$139.5 million (31 December 2024: HK\$147.2 million), of which approximately 73.0% (31 December 2024: 72.3%) was repayable within one year. As at 31 December 2025, the Group’s bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst 84.2% (31 December 2024: 100%) of such borrowings bore interest at fixed lending rate and 15.8% (31 December 2024: Nil) of such borrowings bore interest at floating lending rate.

As at 31 December 2025, certain machineries of the Group with carrying values of approximately HK\$53.9 million (31 December 2024: HK\$59.1 million) were pledged to secure certain instalment loans granted to the Group. In addition, certain trade receivables of approximately HK\$78.7 million (31 December 2024: HK\$71.9 million) was pledged to secure certain bank borrowings of the Group as at 31 December 2025.

Gearing Ratio

As at 31 December 2025, the Group’s gearing ratio (calculated as net debt divided by total capital) was approximately 24.2% (2024: 36.7%). 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. The decrease in gearing ratios reflected improvements in the Group’s financial stability during the Year.

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 purpose during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

As at 31 December 2025, the Group did not have any capital commitment (31 December 2024: Nil).

Off-balance Sheet Arrangements

As at 31 December 2025, the Group did not have any off-balance sheet arrangements (31 December 2024: Nil).

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 156 trainings consisting of more than 3,815 hours in total and 166 employees attended these training programs in 2025.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 193 employees as at 31 December 2025, which decreased by approximately 1.0% as compared with that of 195 employees as at 31 December 2024.

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 2025, the Group had 46 utility model patents and 12 innovation patents and was applying for 12 utility model patents and 6 innovation patents.

In 2026, 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.

SCOPE AND REPORTING PERIOD

This is the eighth Environmental, Social, and Governance (the “**ESG**”) report of Petro-King Oilfield Services Limited (the “**Company**”, and together with its subsidiaries referred to as the “**Group**”), highlighting its ESG performance, with disclosure references made to the ESG Reporting Guide as prescribed in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group provides 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. 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 2025 to 31 December 2025 (the “**Reporting Period**”), unless otherwise stated.

This report covers the Group’s major business operation in the headquarter office in Shenzhen and the office in Chongqing, the PRC, namely Petro-king Oilfield Technology Limited (hereafter “**Shenzhen Office**”) and Petro-king (Chongqing) Oil & Gas Engineering Technology Limited (hereafter “**Chongqing Office**”) respectively (collectively referred to as the “**Offices**”). The Offices collectively manage and oversee the overall business operation of the Group, which contributed approximately 97.6% 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 2024 to 31 December 2024 (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.

ESG GOVERNANCE: EMPOWERING PETRO-KING'S SUSTAINABLE GROWTH AND RESILIENCE

The Group acknowledges that the petroleum and energy sector represents a significant portion of global energy consumption and is a major contributor to carbon emissions. As global decarbonization efforts intensify, the transformation of our energy consumption structure is vital for the Group's future. Committed to aligning with national climate goals, Petro-King supports China's "3060" dual carbon targets of peaking emissions by 2030 and achieving carbon neutrality by 2060.

Furthermore, operating in the oil and gas industry involves inherent risks, where unforeseen incidents can lead to environmental harm and personal injury, impacting social stability and our business operations. As such, we are dedicated to pursuing an injury-free operational goal, protecting the environment, using resources efficiently, applying industry-leading safety practices, and integrating Health, Safety and Environment ("HSE") performance as a core business priority.

Compliance with relevant regulations forms the foundation of our sustainable operations. As ESG standards become increasingly stringent, non-compliance poses risks to our long-term viability. Our governance framework proactively addresses these challenges. The Board of Directors (the "**Board**") oversees climate-related risks and opportunities, supported by a dedicated ESG Task Force that executes and monitors ESG initiatives across all business units. Annually, the Board evaluates ESG performance and adjusts strategies in response to evolving regulations and stakeholder expectations.

In summary, ESG governance is intricately linked to the Group's development. The Group recognizes that ESG-related issues not only encompass corporate social responsibility and reputation but also pose financial, operational, and compliance risks.

THE GROUP'S SUSTAINABILITY COMMITMENT

The Group has developed an HSE policy that serves as an integral part of its operations and reflects its commitment to responsible practices. In addition to adhering to regulatory requirements, the Group actively pursues continuous improvement in workplace safety, environmental protection, and operational practices to earn the trust of its customers, shareholders, and the public.

The Group is dedicated to the following objectives:

- Achieving an injury-free operation
- Safeguarding the natural environment
- Utilizing materials and energy efficiently in product and service delivery
- Implementing the best safety practices in operations
- Enhancing HSE performance as an essential element of the Group's operational strategy
- Fostering a culture in which all employees share a common commitment to achieving goals

The HSE policy is subject to regular reviews and will be updated as necessary to ensure its relevance and effectiveness. Furthermore, the Group strictly adheres to several United Nations conventions since its establishment, including:

1. United Nations Convention against Corruption
2. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (administered by the United Nations Environment Programme)
3. International Labour Organization (“ILO”) Convention on Equal Remuneration
4. Convention on the Elimination of All Forms of Discrimination against Women

By following these conventions, the Group demonstrates its dedication to ethical business practices, environmental stewardship, gender equality, and the prevention of corruption.

SUSTAINABILITY GOVERNANCE

The Group’s sustainability governance is overseen by the Board, who hold the overall responsibility for the Group’s sustainability strategy and reporting. The Group integrates ESG considerations into its daily operations as a demonstration of its strong commitment to environmental protection, employee well-being, and community engagement. As a responsible corporate citizen, the Group gives preference to local employment when recruiting contract workers, aiming to provide opportunities for local workers and support the communities in which it operates.

To effectively manage ESG issues, an ESG Task Force, led by the CEO and comprising representatives from the operations, HSE, HR, and finance department, is responsible for coordinating ESG matters, monitoring performance, and reporting directly to the Board. This Task Force meets quarterly to monitor performance, review emerging risks, and recommend strategic actions to the Board.

In determining the material ESG topics relevant to the Group, the Group conducts an online survey annually with the assistance of a third-party consultant. This survey allows the Group to identify and prioritize the most significant ESG issues. The results of the survey inform the materiality assessment, which involves selecting the key issues that are important to both internal and external stakeholders. These identified issues are then targeted for focused management and disclosure within the company’s sustainability reporting efforts.

Annually, the Board reviews the Group’s materiality assessment, climate-related risks, and progress against ESG targets, which ensures that sustainability is integrated into long-term business planning and decision-making.

EMBRACING A GREENER FUTURE

To ensure sustainable operations and long-term growth, the Group has established clear ESG goals, particularly in emission reduction and energy efficiency. Progress is monitored through regular data collection, management reviews, and site inspections. Annually, the ESG Task Force evaluates target achievement and overall ESG performance.

The Group is committed to delivering high-quality services while safeguarding employee health and safety. The Group also vigilantly manages supply chain risks, conducting business in an environmentally and socially responsible manner. Key initiatives include:

PRODUCT AND SERVICE QUALITY:

- Enhance employee skills through targeted training;
- Implement a strict review and approval process for all service operation plans, with ongoing evaluation by project managers during execution;
- Maintain close communication between technical engineers and customers to ensure service alignment with requirements.

OCCUPATIONAL HEALTH AND SAFETY:

- Increase HSE training for employees;
- Conduct regular HSE inspections and evaluations at operational sites;
- Organize emergency drills at the operation site;
- Implement HSE risk identification, hierarchical management, and a defined responsibility system as required by regulations
- Maintain open communication with local communities regarding our ESG strategies and performance.

SUPPLY CHAIN MANAGEMENT:

- Incorporate explicit ESG clauses into supplier requirements;
- Conduct annual evaluations of supplier ESG performance, using results to inform partnership decisions.

By pursuing these initiatives, the Group aims to enhance its sustainability performance and uphold responsible practices across all operations.

AWARDS AND RECOGNITIONS

The Group has maintained its membership with the International Association of Drilling Contractors (“IADC”) during the Reporting Period. Furthermore, in recognition of its operational integrity and innovation, the Group holds several honors, including being accredited as a Guangdong Province Enterprise of Observing Contract and Valuing Credit, a High-Tech Enterprise by the Shenzhen Science and Technology Innovation Commission, and a Nanshan District “Green Channel” Enterprise. The Group has also been recognized as a Specialized, Refined, Distinctive, and Innovative SME by the Shenzhen Municipal Small and Medium-sized Enterprises Service Bureau.

As a result of continuous pursuit of HSE and quality management excellence, the Group has obtained and maintained certifications from the following management systems:

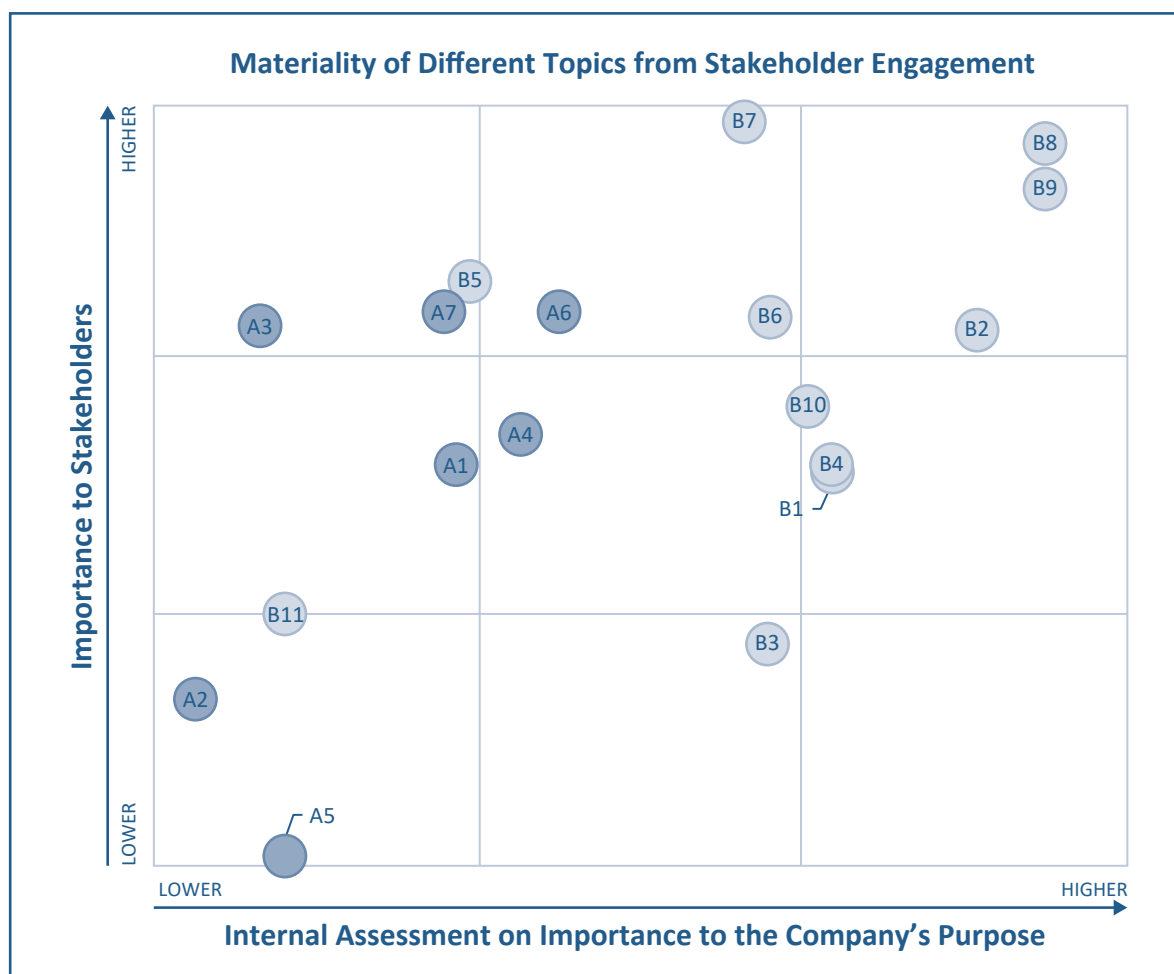
Scope	Certification
Environment	ISO 14001:2015 Environmental Management System
Workplace Safety	ISO 45001:2018 Occupational Health and Safety Management System National Safety Production License
Quality Assurance	ISO 9001:2015 Quality Management System

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group maintains ongoing dialogue with key stakeholders via various communication channels including meetings, emails, and customer surveys. To identify significant ESG topics, the Group specifically engaged both internal and external stakeholders, namely the Board, senior management, shareholders, frontline staff, suppliers, customers, business partners, and regulators 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

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

B. Social Issues

- 1 Employment
- 2 Occupational Health and Safety
- 3 Development and Training
- 4 Labor Standards
- 5 Supply Chain Management
- 6 Intellectual Property Rights
- 7 Data Protection
- 8 Customer Service
- 9 Product/Service Quality
- 10 Anti-corruption
- 11 Community Investment

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In addition, apart from engaging the Group's stakeholders, the Board and the management of the Group have assessed the actual and potential impacts that the Group's operation could bring about based on the external professional's advice and the Materiality Finder of SASB Standards. The significance of the impacts was also considered when assessing the materiality of topics.

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

- Customer Service
- Product/Service Quality
- Data Protection
- Occupational Health and Safety
- Intellectual Property
- Emissions
- Effluent and Waste
- Climate Change

From the standpoint of stakeholders, all the significant ESG issues are categorized as social issues. Whereas when referring to the Materiality Finder of SASB Standards, three additional environmental issues were identified as material topics. The Group has implemented robust policies and guidelines to effectively manage these aspects. The management of these issues is elaborated in the following sections, each dedicated to a specific area.

The Group recognizes the importance of maintaining open lines of communication with stakeholders to gain insight into their expectations and perspectives regarding the Group's ESG approach. This ongoing dialogue ensures that the Group remains responsive to stakeholder concerns and can adapt its strategies accordingly.

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

As a responsible corporate entity, the Group places a strong emphasis on environmental protection. This commitment is formalized through the certification of the Group's ISO 14001:2015 Environmental Management System and reinforced by established internal policies and procedures. Key systems include our Environmental Protection Management Procedure, Waste Management System, and Drilling Site Environmental Management System, which are designed to control pollution and mitigate potential environmental impacts from our operations. The Group strictly adheres to national and local laws and regulations regarding environmental protection and pollution control. By upholding these standards and implementing sustainable practices, the Group demonstrates its commitment to environmental stewardship and the preservation of the environment for current and future generations.

Environmental laws and regulations complied in operating region

- 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
- Solid Waste Pollution Prevention and Control 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)

Throughout the Reporting Period, the Group had maintained full compliance with relevant laws and regulations that would have had a significant impact on the Group. No cases of significant non-compliance were identified concerning air and greenhouse gas emissions, discharges into water and land, or the generation of hazardous and non-hazardous waste. This demonstrates the Group's commitment to operating in accordance with environmental regulations, the effectiveness of its environmental management systems, and its efforts to minimize its environmental impact.

Emissions Control

Air Emissions

During the Reporting Period, the Group-owned, fossil-fueled vehicles (e.g., fracturing trucks, 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. Overall air emissions have remained consistent in comparison to the Last Reporting Period.

Air Emissions	2025	2024	2023
NO _x (kg)	12.77	12.68	12.81
SO _x (kg)	0.58	0.54	0.38
RSP (kg)	0.94	0.93	0.94

Greenhouse Gas Emissions

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 Offices' business operation contributed to an emission of 20,669.50 tonnes of carbon dioxide equivalent ("tCO₂eq."), mainly carbon dioxide, methane, and nitrous oxide. The overall intensity of the GHG emissions for the Group was 0.079 tCO₂eq./HK\$'000 with reference to the revenue of the Shenzhen Office and the Chongqing Office collectively during the Reporting Period.¹

The Greenhouse Gas ("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, wastepaper disposal, as well as the 15 reporting categories of scope 3 emissions where applicable to the Group's operations.

¹ The total revenue of the Shenzhen Office and the Chongqing Office does not include internal related-party transactions.

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Scope of Greenhouse gas emissions ¹	Emission sources	2025 (in tCO ₂ e)	2024 (in tCO ₂ e)	2023 (in tCO ₂ e)
Scope 1 Direct emissions²	Combustion of fuels in stationary sources Diesel	13,779.49	9,928.60	12,170.30
	Combustion of fuels in mobiles sources Petrol	106.26	97.54	68.98
Scope 2 Indirect emissions	Purchased electricity ³	17.90	29.31	29.31
Scope 3 Other indirect emissions^{4,6}	Paper waste disposed at landfills	3.73	3.73	3.01
	Electricity used for processing fresh water by third parties	0.04	0.08	0.09
	Electricity used for processing sewage by third parties	0.03	0.04	0.05
	Business air travel by employees ⁵	113.55	188.27	195.23
	Category 1: Purchased Goods & Services	6,334.54	N/A	N/A
	Category 2: Capital Goods	126.58	N/A	N/A
	Category 3: Fuel- and energy-related activities not included in scope 1 or scope 2 (Excluding electricity used for processing fresh water and sewage)	5.45	5,119.15	N/A
	Category 4: Upstream transportation and distribution	3.51	55.16	N/A
	Category 5: Waste generated in operations (Excluding paper waste disposed at landfills)	0.01	0.01	N/A
	Category 6: Business travel (Excluding air travel by employees)	16.39	N/A	N/A
	Category 7: Employee commuting	0.17	0.18	N/A
	Category 9: Downstream transportation and distribution	155.56	225.89	N/A
	Category 15: Investments	6.28	3.99	N/A
Total		20,669.50	15,651.94	12,466.97
Intensity (tCO₂e/HK\$1000)		0.079	0.056	0.043

Note 1: Emission factors were made by reference to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by the Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission 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 3: According to The Ministry of Ecology and Environment of People's Republic of China (2025): Emission factor of 0.5777 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2025; Emission factor of 0.5366 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2024; Emission factor of 0.5703 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2023.

Note 4: Scope 3 GHG emissions were calculated based on available emission factors referred to Appendix C2 to the Listing Rules and their referred documentation, as well as based on the "Technical Guidance for Calculating Scope 3 Emissions (version 1.0)" published by Greenhouse Gas Protocol.

Note 5: CO₂ emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

Note 6: Data for other categories of scope 3 emissions have not yet been collected, and the Group currently does not have the capability to conduct data collection for these categories; however, the Group shall endeavor to dedicate resources to complete scope 3 emissions disclosure in due time.

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GHG Reduction Commitment and Mitigations

The Group is committed to addressing greenhouse gas emissions and enhancing its environmental performance. The ISO 14001:2015 Environmental Management System provides a structured framework to manage energy, carbon, and climate-related risks in daily operations.

In line with its commitment to environmental sustainability, the Group set a 10-year emission reduction target of 10% for its GHG emissions in 2021. Specifically, the Group aims to achieve a 10% reduction in GHG emissions per HK\$'000 revenue intensity by 2032, compared to a baseline established in 2022 (2022: 0.049 tCO₂eq./HK\$'000).

During the Reporting Period, the Group closely monitored the progress towards this target, but has recorded an increase of 61.6% in intensity compared to year 2022. However, the increase may be attributed to the additional transparency in Scope 3 GHG emissions reporting, as there are now 9 more additional categories of scope 3 emissions sources disclosed in comparison to year 2022. If the same emission sources of the Last Reporting Period are used as comparison, the Group recorded 14,191.99 tCO₂eq of GHG emissions, or 0.054 tCO₂e/HKD\$1000 during the Reporting Period, which would correspond to a 3.17% decrease from Last Reporting Period. This approach allows the Group to actively work towards reducing its environmental impact while accounting for emissions fluctuations resulting from project variations.

Looking ahead, the Group will continue to monitor progress against its established emissions reduction targets. The Group remains dedicated to increasing the utilization of electric pumps in fracturing operations, exploring bio-diesel fuels for operational vehicles, and prioritizing the rental of new energy vehicles. The Group actively follows developments in clean and energy-saving technologies within the oilfield services sector, with a commitment to their practical implementation.

To mitigate operational emissions, the Group implements a range of air pollution control measures. This includes regular facility maintenance and operational practices designed to ensure compliance and minimize environmental impact.

Through these comprehensive efforts, the Group demonstrates its proactive approach to reducing GHG emissions, adopting cleaner technologies, and implementing effective measures to control air pollution. By prioritizing environmental sustainability, the Group is actively working towards minimizing its environmental footprint and contributing to a greener future.

Measures Taken During Operation

In fracturing operations, the Group prioritizes the use of electric pumps over diesel-powered units where feasible, reducing direct diesel consumption and associated emissions. At worksites, impermeable membranes are laid to prevent fluid or oil infiltration into the soil. Any spills are promptly contained and collected for proper disposal by licensed contractors, preventing environmental contamination. Furthermore, the Group is engaged in research and development initiatives for new energy exploitation and carbon capture technologies.

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

The Group takes steps to reduce vehicle emissions by incentivizing employees to use public transit for their commutes. Additionally, the Group encourages the use of low-emission vehicles, such as electric motorcycles, to minimize emissions and carbon footprints. When using the Group's vehicles, employees are required to plan schedules and routes efficiently to avoid traffic congestion. To further reduce emissions, the Group mandates turning off the engine if a vehicle is parked for more than 10 minutes. There is a dedicated department to evaluate vehicle performance and fuel efficiency, and the Group prefers electric or fuel-efficient vehicles for car rental services.

Through these comprehensive efforts, the Group demonstrates a proactive approach to reducing its GHG footprint, adopting cleaner technologies, and implementing effective pollution control measures across its operations and logistics.

Waste Management

No hazardous waste was generated by the Group during the Reporting Period. Whereas for non-hazardous waste, the Group's Offices generated a total of 2,920 kg of non-hazardous office waste, as well as 20 kg of construction waste during the Reporting Period. This equates to an overall intensity of 3.15 kg/m² and 15.64 kg/staff. These figures provide insight into the Group's waste generation and serve as a foundation for future waste reduction and management initiatives.

Waste handling and reduction initiatives

The Group is committed to responsible waste management, ensuring strict compliance with all relevant legal and regulatory requirements. We have established comprehensive policies, including the Waste Management System and the Environmental Protection Management Procedure, to govern waste handling. All waste is categorized as either hazardous or non-hazardous and managed accordingly.

Hazardous waste is collected separately and transferred to licensed treatment providers, with quantities reported to and approved by local environmental authorities. Non-hazardous waste is sorted and recycled through certified contractors.

To minimize waste generation at the source, the Group implements proactive measures. These include setting all printers to default double-sided printing, promoting digital documentation to reduce paper use, and providing conveniently placed recycling bins. Office equipment, such as printers, is leased from professional suppliers who are responsible for the recovery and recycling of consumables like toner cartridges and batteries. Outdated office furniture and electronic equipment are also processed by licensed recyclers.

During the Reporting Period, the Group has complied with all regulations on categorization, collection, and handling of waste. The Group remains vigilant in monitoring regulatory updates and continuously seek to enhance its waste reduction and recycling practices to support its commitment to sustainable operations.

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Use of Resources

The Group's Environmental Protection Policy promotes the prudent, rational, and efficient utilization of resources across its business operations. The Group is dedicated to enhancing resource efficiency in areas such as energy, water, and raw material usage, all while ensuring compliance with relevant environmental regulations and requirements. Through this policy, the Group aims to minimize its environmental footprint and contribute to sustainable resource management.

Energy Consumption Management

The Group's energy consumption mainly comes from the use of diesel during fracturing operation. Other types of energy consumed include electricity and petrol. During the Reporting Period, the total energy consumption was 53,043.09 Megawatt-hour ("MWh"), with an overall energy intensity of 0.20 MWh/HK\$'000 revenue. The intensity has increased by 18.3% compared to the Last Reporting Period. The table below presents the Group's energy consumption by energy types and the associated energy intensity.

Direct/indirect energy sources ¹	2025 (in MWh)	2024 (in MWh)	2023 (in MWh)
Electricity consumption	40.42	9,594.60 ⁴	30.19
Petrol consumption ²	352.47	323.60 ⁴	229.07 ⁵
Diesel consumption ³	52,650.20	37,936.28 ⁴	46,501.62 ⁵
Total Energy Consumption	53,043.09	47,854.47 ⁴	46,780.88 ⁵
Total energy intensity (MWh/HK\$'000 revenue)	0.20	0.17 ⁴	0.16 ⁵

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

Note 2: Petrol consumption in 2025, 2024, and 2023 were 39,773 litre, 36,515 litre, and 25,848 litre, respectively.

Note 3: Diesel consumption in 2025, 2024, and 2023 were 5,266,007 litre, 3,794,339 litre, and 4,651,034 litre, respectively.

Note 4: Energy consumption calculations in 2024 have been revised to include electricity consumption from Category 3: Fuel- and energy-related activities not included in scope 1 or scope 2, while petrol and diesel consumption figures have been revised to account for appropriate conversion factor from the China Energy Statistical Yearbook.

Note 5: Energy consumption calculations in 2023 have been revised, where petrol and diesel consumption figures have been revised to account for appropriate conversion factor from the China Energy Statistical Yearbook.

Energy Use Efficiency Initiatives

The Group is committed to enhancing energy efficiency across its operations. In its offices, energy-saving measures include purchasing high energy-efficiency-rated appliances and maintaining a strict summer air conditioning temperature setting of 26°C. When selecting electrical appliances, such as air conditioners, the Group prioritizes energy-efficient models.

While the Group faces challenges in establishing an energy-saving target due to fluctuations in diesel consumption, it remains dedicated to energy conservation. In its core operational activities, the Group actively works to reduce reliance on fossil fuels. A key initiative is the priority use of electric pumps over diesel-powered units in fracturing operations where site conditions allow. For activities requiring on-site power generation, the Group minimises the use of diesel generators by prioritizing connection to local public power grids whenever available.

The Group continues to use electric-driven pumps in hydraulic fracturing operations since year 2021 and aims to increase the proportion of electric-driven hydraulic fracturing throughout the reporting year. During the Reporting Period, the Group's ability to deploy electric pumps at its operations was limited until December 2025, due to the lack of suitable operation sites. This constraint contributed to an increase in total diesel consumption, as well as in diesel consumption per layer of hydraulic fracturing operations, compared to the Last Reporting Period. The deployment of electric fracturing units is contingent upon specific site conditions, including the availability of adequate power infrastructure. While the Group actively seeks to utilize electric pumps wherever operationally feasible to reduce diesel consumption, the variability of project locations and technical requirements means that such deployment cannot be guaranteed annually. Nevertheless, the Group has established a forward-looking target to reduce the year-on-year diesel consumption per layer of hydraulic fracturing operations, subject to the operational feasibility and successful utilization of electric pumping equipment where conditions permit. Continued implementation of the electric pump priority policy, alongside the exploration of bio-diesel for operational vehicles, forms the core of the Group's energy efficiency strategy.

Water Resource Management

The Group's production enhancement business operations utilize water, and the Group remains committed to water conservation in its daily operations. The Group sources freshwater from municipal water supply systems. Throughout the Reporting Period, there were no water sourcing issues.

The table below provides details on the water consumption and intensity of the Shenzhen Office and Chongqing Office during 2023, 2024, and 2025.

	2025	2024	2023
Water consumption	152 m ³	177 m ³	210 m ³
Intensity (m ³ per staff) ²	0.81 m ³ /staff	0.94 m ³ /staff	0.82 m ³ /staff
Intensity (m ³ per m ² of total production area)	0.16 m ³ /m ²	0.19 m ³ /m ²	0.23 m ³ /m ²

Water Use Efficiency Initiatives

The Group implements proactive measures to promote water efficiency and minimize consumption across its operations. At the Shenzhen office, water-saving initiatives include the installation of automatic shut-off taps and the display of water conservation signage. In its core field operations, the Group prioritizes the recycling and reuse of fracturing fluids, significantly reducing the demand for fresh water during well stimulation activities. By integrating conservation technology in office facilities and implementing closed-loop systems in field operations, the Group demonstrates its commitment to the responsible stewardship of water resources.

The Group had set a target to reduce water consumption by 1% in 2025, using 2024 as the baseline year. As can be seen, total water consumption has been reduced by 14% in comparison with the Last Reporting Period, far exceeding the set target. In light of this, the Group has decided to set the target to maintain its water consumption at the same levels in 2026, using 2025 as the 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 is committed to minimizing its environmental impact and takes proactive measures to manage and assess its environmental influences. The implementation of the Environmental Protection Management Procedure and Drilling Site Environmental Management System ensure the responsible use of natural resources.

The Group's activities have significant impacts primarily in the areas of water and energy consumption, carbon dioxide emissions, and the risk of spills and leakages. In response, the Group has implemented a comprehensive set of management actions:

- **Resource Conservation:** Prioritizing the recycling and reuse of fracturing fluids to reduce water consumption and using electric pumps where feasible to lower diesel use and associated emissions.
- **Pollution Prevention:** Deploying impermeable membranes at work sites to contain potential spills, ensuring proper collection and disposal of any leaked fluids, and maintaining strict waste segregation protocols with licensed contractors.
- **Energy and Emissions Management:** Setting energy-efficient practices in offices, such as maintaining air conditioners at 26°C in summer, and planning efficient transport routes to reduce vehicle emissions.
- **Innovation and R&D:** Investing in research and development for new energy technologies and carbon capture solutions to support future environmental performance improvements.

Looking ahead, the Group will intensify its efforts to further reduce its impact on the natural environment and create a healthy workplace for its employees. During the Reporting Period, the Group received no complaints from the surrounding community regarding air pollution, odours, noise, or any other environmental pollution incidents.

Climate Change

Governance

The Group recognizes that energy consumption, GHG emissions, and climate change are important aspects of environmental protection which have significant impact on its operations, and thus the Board has taken up responsibility regarding the governance of assessing climate change-related risks and opportunities. An ESG Task Force, which is led by the CEO and supported by a cross-departmental working group, monitors and implements the Group's climate strategy, this ensures that diverse skills and perspectives are applied to identifying and managing climate-related issues. Furthermore, members of the ESG Task Force also participate in annual training on climate change issues. The Board assesses ESG performance, discusses climate-related issues, and reviews the potential impact of national climate policies on operations on an annual basis. Progress towards climate-related targets is monitored and reported through this governance structure.

Strategy

Risk Identification

Addressing climate change is a top priority for the Group when establishing its long-term business strategies. The Group recognizes the environmental risks associated with climate change and acknowledges their potential impact on its success. In response, the Group has conducted an assessment of climate-related risks and their implications for business operations, using the guidelines provided by the Task Force on Climate-related Financial Disclosures ("TCFD"), thus formulating the "Organization Procedures for Environment Risk and Opportunity Response". These risks are categorized into two main types: physical risks and transition risks.

To determine the significance and potential impact on the Group's business operations, the Group evaluates the risk level of each climate-related risk by considering factors such as likelihood and severity. The Group has also aligned its strategic planning horizons with national climate policy, defining short-term and long-term time periods in the context of China's "3060" dual carbon goal, with emissions peaking by 2030 and carbon neutrality being achieved by 2060.

Climate risk type	Time horizon	Impact on business model and value chain	Likelihood	Severity
Physical risk (acute)	Short-term	Increased severity and frequency of extreme weather affects daily operations and may cause damage to equipment, thus reducing revenue and increasing maintenance costs.	High	Medium
Physical risk (chronic)	Long-term	Rising temperatures increase energy use, equipment maintenance cost and performance requirements, as well as logistics demands.	Low	Medium

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Climate risk type	Time horizon	Impact on business model and value chain	Likelihood	Severity
Transition risk (legal and policy)	Long-term	Changes in energy demand and the service market may lead to increased operation costs from increased GHG emission pricing.	Medium	Medium
Transition risk (technology)	Long-term	Increased operation costs from the substitution of existing equipment and services, raising the need for research and development investment.	High	Medium
Transition risk (market)	Long-term	Switch from the oil and gas market to renewable/clean energy lower the demand for oilfield services. Reduced demand for services from the shift of customer and market preference.	High	Medium
Transition risk (reputation)	Long-term	Reduced revenue from decreased demand for services	High	Medium

Similar to the Last Reporting Period, the Group remains particularly exposed to transition risks, with market risk and technology risk being the key concerns. Transition risks arise from the transition to a low-carbon economy. This transition involves a shift towards cleaner energy sources, such as renewables, which could lead to reduced demand for oilfield services and potentially impact the Group's revenue.

Opportunities

Recognizing its susceptibility to financial impacts from the low-carbon transition, the Group is proactively restructuring its business. In response to evolving energy policies and market shifts, it has identified the development of clean energy sources, including shale gas, combustible ice, geothermal power, and hydrogen, as a key future direction. Concurrently, the Group sees significant opportunities in the carbon management sector and plans to invest in the research and development of carbon capture technology and related products.

To capitalize on these opportunities and enhance market competitiveness, the Group is focused on improving operational management and technological capabilities. This includes increasing investment in R&D for relevant technologies, with the long-term strategic goal of transitioning from a traditional oilfield service provider to a comprehensive provider of new energy and carbon reduction services.

During the Reporting Period, the Group actively advanced this strategy through collaboration. It continued its partnership with institutions such as Tsinghua Shenzhen International Graduate School and engaged with relevant authorities in Guangdong Province and Shenzhen. Furthermore, the Group established technical cooperation teams with renowned domestic and international research institutions to advance R&D in areas like efficient low-carbon energy utilization and novel carbon storage solutions. Preliminary findings have been achieved, and related research remains ongoing.

Financial Impact

The shift towards electric-powered fracturing equipment has reduced project costs and improved gross margins, positively impacting cash flow. In the short, medium, and long term, the increasing environmental requirements related to climate change are expected to continue to have a positive effect on the Group's profitability and cash flow, as they align with the Group's direction of adopting electric equipment. While detailed quantified projections of financial impacts are not currently available, the Group shall endeavor to dedicate resources to conduct quantitative analysis.

Risk Management

For the climate-related risks identified above, the Group has developed the following management approaches and mitigation measures:

Climate risk type	Management Approach	Mitigation Measures
Physical risk (acute)	Before the start of any project, identify extreme weather risks in the surrounding area, and prepare contingency plans accordingly.	Closely monitor weather forecasts at project sites, and make preparations in advance.
Physical risk (chronic)	Account for climate factor as project risks, and include relevant countermeasures as part of regular work procedures of project operation.	
Transition risk (legal and policy)	Devote resources to collecting information on changes in national climate and environmental policies and regulations. In response to national policy changes that affect operations, adjust operation models and improve equipment accordingly.	Conduct employee development and training to prepare staff for any changes in company operation model or upgraded equipment.
Transition risk (technology)	Perform equipment upgrades in a timely manner, and increase research and develop funding of project technology.	Lease equipment that meet updated environmental protection requirements, while switching to more renewable energy mix.
Transition risk (market)	Closely monitor market trends, and implement innovation to satisfy market demand.	Diversify company supply chain, allowing for optimization of operation service plans.
Transition risk (reputation)	Continuously improve management, service levels, as well as on-time delivery rate of operations.	Improve communications with employees and customers to improve company operation service level.

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The ESG Task Force, with representatives from all departments, is responsible for the annual identification and assessment of climate-related risks and opportunities. Risks are graded according to established criteria, and the assessment results along with recommended response measures are reported to the Board. Approved measures are then integrated and promoted within the company's operational management activities.

Metrics & Targets

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, Scope 3 GHG emissions (in tCO₂eq.), total GHG emissions (in tCO₂eq.) and GHG emission intensity (in tCO₂eq./HK\$'000) regularly. The GHG emission data and information about target setting are shown in the section "Emissions" of this Report.

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;
- Allocate resources to achieve climate-related objectives, including increasing R&D investment, gradually upgrading equipment, and recruiting higher-skilled personnel;
- Establish a strategy for company transition towards becoming a new energy development service provider, and invest resources in research and development of new energy development service technologies; and
- Optimise energy resource management to utilize energy use and improve energy efficiency in office operations.

B. SOCIAL

1. Employment and labour practices

The Group recognizes that its employees are fundamental to its success and is committed to fostering a supportive, fair, and rewarding workplace. We are dedicated to creating value for our employees by caring for their wellbeing and providing attractive career prospects and diverse development opportunities.

Employment

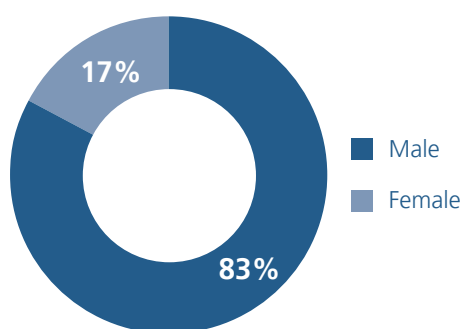
The Group is committed to upholding the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, and other relevant laws and regulations in the regions where it operates, as well as international labor standards. In addition, the Group strictly follows the Law of the People's Republic of China on the Protection of Rights and Interests of Women and the Special Rules on the Labor Protection of Female Employees, aiming to safeguard the legal rights and interests of female employees and promote their physical and mental well-being.

In line with international principles, the Group also upholds standards such as the ILO Convention on Equal Remuneration and the Convention on the Elimination of All Forms of Discrimination against Women. These commitments are embedded in the Group's internal policies, including the Employee Handbook, which prohibits discrimination based on race, gender, age, marital status, physical or mental condition, pregnancy, religion, or political belief.

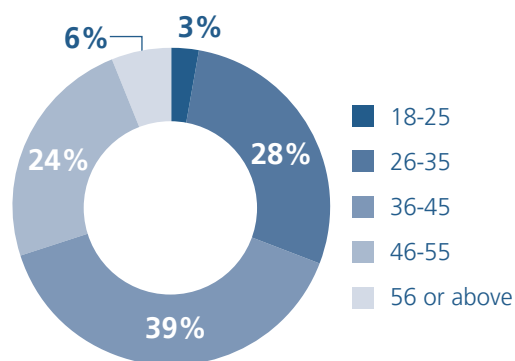
The Group strives to maintain a fair and transparent work environment that offers competitive compensation and equitable human resource management policies. It fully complies with national and local employment and labor regulations. Furthermore, the Group's human resource management policies are designed to ensure equitable treatment, competitive compensation, and timely salary payments to all employees, thereby retaining talent and enhancing its organizational resilience.

As of December 31, 2025, the Shenzhen Office and the Chongqing Office of the Group employed a total of 188 employees, all of which were full-time (2024: 189 full-time employees). The workforce is categorized by gender, age group, employee category, and geographical region as indicated in the graphs below.

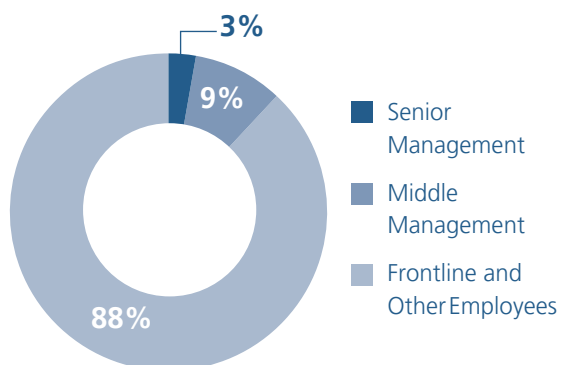
By Gender



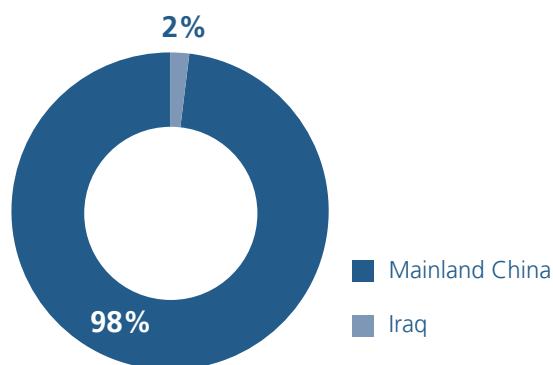
By Age Group



By Employment Category



By Geographical Region



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The employment relationship is formalized through a labour contract that clearly outlines the position, start date, remuneration, promotion mechanisms, policies on compensation and termination, probationary period, leave entitlements, and all other terms and conditions of employment in strict compliance with applicable laws and regulations.

All employees are provided with the Employee Handbook, which, along with the Group's Code of Conduct, communicates the Group's core policies, standards, and behavioural expectations. These guidelines are reinforced through training and internal communications to ensure widespread understanding and adherence across the organization.

During the Reporting Period, no instances of non-compliance with significant impact on the Group were identified concerning compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination measures, and other benefits and welfare provisions.

Competitive Compensation and Benefits Package

The Group is committed to providing a fair and competitive remuneration package that aligns with applicable laws and regulations. In addition to statutory social insurance and housing funds, employees enjoy a comprehensive benefits package. This includes annual health check-ups, group accident and critical illness insurance, and holiday gifts or celebrations for occasions such as Chinese New Year and birthdays. Various types of paid leave, including annual, sick, maternity, paternity, and compassionate leave, are provided in accordance with the law. Compensation for overtime work follows statutory requirements.

Salary reviews are conducted annually, and salary increases are contingent upon the performance of the operation sites, teams, and individuals. The Group ensures that fair and equitable practices are followed in determining salary adjustments.

Termination of Contract

Termination of employment can occur through resignation, dismissal, or termination under various circumstances. Employees are required to provide advance notice of their intention to resign, as specified in their employment contracts.

According to the termination policy, the Group retains the right to dismiss an employee by providing written notification at any time if the employee engages in misconduct or violates local laws and regulations at the operation sites. In cases of dismissal, no severance pay is provided, and there are no payments for outstanding earned annual leave or declared bonuses.

It's important to note that specific details regarding the notification period for resignation, acts of misconduct, and compliance with local laws and regulations may vary depending on the specific terms and conditions outlined in the employment contracts and applicable laws and regulations in each jurisdiction.

Appraisal and Promotion

The Group conducts annual performance appraisals and promotion exercises. Eligibility for advancement is based on employees' competencies, the achievement of performance targets, and suitability for higher-ranking positions. There is a transparent policy in place to ensure fair opportunities for promotion, including job grades and promotion assessments, supported by well-defined management systems. The detailed process for promotion assessments is clearly outlined.

Equal opportunity

The Group is dedicated to maintaining a fair and inclusive workplace, as stated in its Employee Handbook. The Group's employment practices strictly prohibit discrimination based on race, gender, age, marital status, physical or mental condition, pregnancy, religion, or political belief. All employees have equal opportunities for recruitment, promotion, and career development. In support of social inclusion, the Group fulfills its responsibility by contributing to the Disabled Persons Employment Security Fund.

Employee relations and turnover

The Group recognizes that employees are its most valuable asset. To cultivate a sense of belonging and foster a positive work environment, the Group organizes a range of recreational and cultural activities. These activities may include birthday celebrations, buffet gatherings, team bonding exercises, and sports events. The Group also organizes giveaways during special occasions, such as during Mid-Autumn Festival and Winter Solstice. Through these initiatives, employees have the opportunity to engage with one another, build relationships, and develop a better understanding of their colleagues.

Specific activities during the Reporting Period include allowances and red packets distributed to employees during Chinese New Year, gifts to female employees for International Women's Day, monetary allowances as appreciation for field operation employees working outdoors in winter months, and refreshments for employees as part of a "Summer Coolness" initiative in collaboration with the Nanshan District Haizhu Community Union. These activities contribute to a more cohesive and supportive workplace atmosphere.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A total of 18 employees left the Group during the Reporting Period, representing an overall turnover rate of 9.57%. The employee turnover rate by gender, age group, employment category, and geographical location are as follows:

Turnovers	2025	
	Number	Turnover Rate
By Gender		
Male	16	10.26%
Female	2	6.25%
By Age Group		
18-25	2	40.00%
26-35	6	11.32%
36-45	6	8.11%
46-55	2	4.44%
55 or above	2	18.18%
By Employment Category		
Frontline and Other Employees	0	0.00%
Middle Management	3	18.75%
Senior Management	15	9.04%
By Geographical Location		
Mainland China	18	9.73%
Iraq	0	0.00%

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 45001:2018 Occupational Health and Safety Management System, Level 3 of Work Safety Standardization certifications, and National Safety Production License. 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

During the Reporting Period, the Group maintained compliance with relevant laws and regulations concerning workplace safety and employee protection from occupational hazards. No significant non-compliance issues were identified.

The Group places a high priority on employee health, starting with health checks for all new hires and conducting annual health check-ups for employees in its PRC operations. To further safeguard employee well-being, the Group supplements statutory medical insurance with additional commercial health and accident insurance.

To ensure a safe working environment that aligns with national standards, the Group engages qualified third-party monitoring agencies to assess occupational hazards like noise levels and toxic substances. In cases where these hazards exceed national limits, professional environmental management companies are employed to implement appropriate measures and eliminate risks. The Group maintains a regular monitoring system to review inherent hazards and evaluate the effectiveness of risk mitigation measures. Personal protective equipment (“PPE”) is provided to frontline workers, who are required to wear it during work, and all employees are entitled to regular breaks and sufficient rest.

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.

Employee safety education and training are emphasized to ensure that employees possess essential knowledge of work safety and are familiar with relevant rules and regulations, while continuous improvement is achieved through regular HSE management inspections and evaluations, targeted employee HSE training, as well as the diligent implementation of a risk-based HSE responsibility system in alignment with regulatory requirements. Employees are encouraged to report safety violations or non-conformances, which are thoroughly investigated by the Quality, Occupational Health, Safety, and Environmental (“QHSE”) department. Any identified issues are addressed through appropriate corrective actions.

During the last three years, including the Reporting Period, the Group did not record any fatalities among its employees. There was one work-related injury case during the Reporting Period, which had happened due to cable wire strand failure under tension and subsequent snap-back. The involved employee was immediately transported to the hospital, where he received surgery for a rupture injury to his right eyeball and was hospitalized for recovery and further treatment.

As seen above, the Group takes immediate action to arrange for the injured employee to receive necessary medical treatment. The Group also provides support and consolation to the injured employee and proceeds to report the work-related injury to the Social Security Bureau and the insurance company for the required claims. Additionally, the Group conducts a thorough accident analysis to prevent the recurrence of work-related injuries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational Health and Safety Statistics in 2025

Work-related fatality 0

Lost days due to work injury 73 days

Development and Training

The Group is committed to enhancing employee competencies through structured training and development programs. Each year, the HR department consolidates departmental needs to formulate an annual training plan aligned with job requirements, regulatory mandates, and employee skill development.

The Group's training activities are divided into two main categories: internal and external training. Internal training includes sessions on topics such as office ergonomics, artificial intelligence (AI), executive skills, and job-specific case studies. External training primarily involves certification programs for operational personnel, including well control, H2S safety, HSE, and specialized operational licenses (e.g., safety qualification certificates, working-at-height certificates).

All new employees undergo induction programs, while current employees receive structured on-the-job training based on job requirements, competency assessments, and certification renewal schedules to enhance their knowledge and skills in the workplace. For example, for employees involved in drilling operations, specialized training is provided, such as competency courses offered by the IADC. Employees are required to complete industrial safety training for seafarers and obtain qualification certificates in areas such as Personal Survival Techniques, Personal Safety and Social Responsibilities, Fire Prevention and Firefighting, First Aid, Survival Craft, and Rescue Boats before working on vessels.

To evaluate the effectiveness of the training programs, the Group conducts thorough analyses of feedback received from participants. This feedback is collected through various channels, including post-training questionnaires, interviews, observations, and other suitable methods. By leveraging this feedback, the Group continuously improves its training initiatives to better meet the needs and expectations of its employees.

In addition, the Group regularly assesses the status of certifications held by its employees. Employees are notified two months in advance of the expiration of their certifications and are required to attend the designated courses for certification renewal. This ensures that employees maintain their competencies in accordance with the recertification process.

Furthermore, the Group supports continuous learning by encouraging employee participation in activities organized by external bodies such as the Nanshan District General Federation of Trade Unions, the Shenzhen Federation of Trade Unions, and local educational institutions, fostering a culture of growth and development beyond formal training sessions.

During the Reporting Period, a significant portion of the Group's employees, specifically 87%, received training. The total training hours amounted to 3,795 hours.

Detailed breakdown of training provided to employees

By employee category

Senior Management	Percentage of employees trained	83.33%
	Average training hours completed per employee	36.3
Middle management	Percentage of employees trained	75.00%
	Average training hours completed per employee	27.7
Frontline and other staff	Percentage of employees trained	88.55%
	Average training hours completed per employee	18.9

By gender

Male	Percentage of employees trained	92.95%
	Average training hours completed per employee	21.9
Female	Percentage of employees trained	59.38%
	Average training hours completed per employee	11.8

Labor Standards

The Group maintains strict adherence to the Labor Law of the PRC, the Law of the PRC on Employment Contracts, the Provisions on the Prohibition of Using Child Labor, and internal recruitment guidelines that prohibit the employment of individuals under the age of 16 in its operations.

The recruitment process follows the Group's established procedures, as outlined in the recruitment process and employee handbook, and complies with statutory requirements. In accordance with the Labor Law of the PRC, the Human Resources department verifies the credentials of candidates and conducts background checks to ensure that all employees hired by the Group meet the minimum age requirement.

If any violation is discovered, the Group takes immediate action, including terminating the employment of individuals involved and implementing appropriate disciplinary measures against anyone found to be in violation of applicable laws and regulations. The Group may also report such violations to relevant legal entities in the operating regions, such as the Labor and Social Security Bureau of the PRC.

2. Operating Practices

Supply Chain Management

The Group has established the HSE Contractor Management Agreement with contractors and service providers to ensure the effective management of environmental and social issues throughout the duration of the contract. This agreement requires service providers to comply with safety and environmental protection requirements specified within the HSE management agreement. To ensure compliance, the Group may assign dedicated personnel to supervise and monitor the performance of the providers. Additionally, the Group considers the inclusion of environmental and social requirements for suppliers within the supplier evaluation system, as deemed necessary. This enables the Group to assess and regulate suppliers based on their adherence to environmental and social standards.

The Group is committed to continuous monitoring and close collaboration with its suppliers to uphold environmentally sustainable and socially responsible practices. Suppliers undergo evaluation processes and are subject to on-site inspections, which are guided by the provisions outlined in the HSE management agreements. While the Group does not currently have policies specifically aimed at selecting environmentally preferable products or services from suppliers, it does prioritize local suppliers in the tendering process as a means to reduce carbon footprints associated with logistics. To systematically enhance supply chain sustainability, the Group is also actively refining its procurement practices. This includes incorporating explicit ESG clauses into supplier requirements to ensure clearer expectations and accountability regarding environmental stewardship and social responsibility.

During the Reporting Period, the Group had engaged a total of 130 suppliers (2024: 153 suppliers), with the majority of goods and services procured from Mainland China suppliers.

Region	Number of suppliers	Types of suppliers
Mainland China	124	Raw materials, fuel, machinery and equipment, and service providers
Singapore	2	Raw materials providers
Cameroon	1	Service providers
Dubai	1	Raw materials providers
Hong Kong	1	Raw materials providers
Iraq	1	Security service provider

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 9001:2015 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 established policies, including the Control of Nonconforming Product Procedure and the Control of Production and Service Provision, to effectively handle product recalls. Customer complaints are addressed following standardized procedures, with corrective actions taken as needed. It's worth noting that during the Reporting Period, the Group did not receive any complaints.

Furthermore, there were no product recalls due to safety and health concerns, and no significant instances of non-compliance with laws and regulations that would have had a notable impact on the Group in terms of product health and safety or customer services were identified during this period. The Group remains committed to maintaining high standards in these areas.

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Data Protection

The Group prioritizes customer privacy and data protection and has implemented various measures to ensure confidentiality and control over sensitive information. The Code of Conduct includes specific rules on confidentiality, prohibiting employees from disclosing confidential information about the Group, its business, or clients to unauthorized parties. Additionally, new hires are required to sign non-disclosure agreements before accessing any sensitive information of the Group or third parties. These agreements ensure that employees understand and comply with the Group's policies for protecting proprietary information.

In terms of information technology (IT) management, the Group has established comprehensive rules to ensure cybersecurity, data protection, and the proper maintenance of hardware and software assets. The Group actively implements cybersecurity measures to effectively manage risks, including the adoption of the latest network security solutions and regular software and system updates.

Importantly, there were no incidents of customer data loss, breaches of customer privacy, or significant non-compliance with laws and regulations related to customer data protection and privacy during the Reporting Period. The Group remains committed to upholding the highest standards in safeguarding customer information and complying with applicable privacy regulations.

Intellectual Property ("IP")

The Group continuously invests in the development of oilfield services technology, aiming to launch innovative products and services with pride. The Group's 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 2025, the Shenzhen Office and the Chongqing Office combined own 58 patents (2024: 43 patents). The detailed information on the patent application is as follows:

Office	Type	Total
Shenzhen Office	Innovation patents	12
	Utility model patents	33
Chongqing Office	Innovation patents	0
	Utility model patents	13

In addition, the Group was in the process of applying for 6 innovation patents and 12 utility model patents, and has been authorised for 2 innovation patents, 15 utility model patents, and 4 software copyrights during the Reporting Period.

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 operating 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. 7 directors and 4 employees have received an average of 15 minutes of anti-corruption training, as well as reading material on business integrity and anti-corruption systems.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

● 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.

As at 31 December 2025, the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company comprised three executive Directors, one non-executive Director 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 C1 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 C3 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 this annual report, 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 three executive Directors, one non-executive Director 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	✓	✓
Lin Jingyu	✓	✓
Zhou Sisi	✓	✓
Non-executive Directors		
Wang Jinlong	✓	✓
Independent non-executive Directors		
Leung Lin Cheong	✓	✓
Xin Junhe	✓	✓
Zhang Dawei	✓	✓

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. Lin Jingyu. 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 2024, the approval of the interim results of the Group for the six months ended 30 June 2025, 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 2025 are as follows:

	Meetings attended/Meetings held					2025
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sanction Oversight Committee	Annual General Meeting
Executive Directors						
Zhao Jindong	4/4	–	–	–	–	1/1
Lin Jingyu	4/4	–	–	–	–	1/1
Zhou Sisi	4/4	–	–	–	–	1/1
Non-executive Directors						
Wang Jinlong	4/4	–	1/1	1/1	2/2	1/1
Independent non-executive Directors						
Xin Junhe	4/4	2/2	1/1	1/1	2/2	1/1
Leung Lin Cheong	4/4	2/2	1/1	1/1	2/2	1/1
Zhang Dawei	4/4	2/2	1/1	1/1	–	1/1

TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS

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

BOARD DIVERSITY

The Company 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.

The Company has achieved gender diversity on the Board by appointing Ms. Zhou Sisi, a female director, on 20 December 2023.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2025, the gender ratio of the workforce of the Group (including senior management) was 83:17 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. Xin Junhe and Mr. Zhang Dawei. Mr. Leung Lin Cheong is the chairman of the Audit Committee.

During the Year, two meetings of the Audit Committee were held on 26 March 2025 and 21 August 2025 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2024 and for the six months ended 30 June 2025, 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. Leung Lin Cheong, Mr. Wang Jinlong and Mr. Zhang Dawei. Mr. Xin Junhe is the chairman of the Remuneration Committee.

During the Year, one meeting of the Remuneration Committee was held on 26 March 2025 to discuss, among others, the level of salaries of each of the executive Directors, non-executive Director, 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	–
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 9 July 2025 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. Leung Lin Cheong, Mr. Zhang Dawei and Ms. Zhou Sisi. Mr. Wang Jinlong is the chairman of the Nomination Committee.

During the Year, one meeting of the Nomination Committee was held on 26 March 2025 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 26 March 2025 and 21 August 2025 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 nonaudit services for the year ended 31 December 2025 are analysed below:

	HK\$'000
Audit services	1,850
Non-audit services	
Agreed-upon procedures	250

THE COMPANY SECRETARY

Mr. Chan Kwok Yuen, Elvis ("**Mr. Chan**"), our chief financial officer (the "**CFO**"), has been appointed as the Company Secretary of the Company with effect from 20 March 2024. During the Year, Mr. Chan 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 2025, 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.

CORPORATE GOVERNANCE PRACTICES

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 2025, 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 2025 to 31 December 2025. 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 time of training received by the Directors is 20 minutes, and 7 of them have completed the training. In the future, the Group will maintain 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 2025, 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.

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This annual report is now available in printed form in English and in Chinese, and on the website of the Company. Shareholders may at any time choose to receive the annual report in printed form in either the English or Chinese language or both or by electronic means by reasonable notice in writing to the Company c/o the share registrar. Shareholders who have chosen to receive the annual report using electronic means but for any reason have difficulty in receiving or gaining access to the annual report, the Company or the share registrar will, upon written request, send the printed form to you in the selected language version(s) free of charge.

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.

DIRECTORS AND SENIOR MANAGEMENT

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 62, 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 Ministry of Geology*) in December 1983. He continued his employment with the Drilling Institute of Ministry 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 52, is our executive Director and CEO. Mr. Lin joined our Group in August 2008 and was mainly responsible for our 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 27 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 graduated from Yangtze University with a Master degree in petroleum and gas engineering in 2007 and obtained a Master of Business Administration degree from Sun Yat-sen University in 2025. Mr. Lin is qualified as a senior engineer in oil production engineering in the PRC since December 2007. From October 2014 to September 2019, Mr. Lin was recognized as a reserve talent and was entitled to enjoy privileged treatment according to the relevant policies in Shenzhen.

Ms. Zhou Sisi (周恩思) (“Ms. Zhou”), aged 35, joined our Group as an investor relation officer in July 2019 and was appointed as the vice president on 1 December 2023. She was appointed as an executive Director on 20 December 2023. Ms. Zhou is responsible for the business development, customer relations, investor relations and the environmental, social and governance development of the Group. Ms. Zhou graduated from the University of Oregon in December 2015 with a bachelor's degree in Science. Before joining the Group, Ms. Zhou has approximately 3 years of working experience in the commercial banking industry. Ms. Zhou is the daughter of Mr. Wang.

Non-executive Director

Mr. Wang Jinlong (王金龍) (“Mr. Wang”), aged 60, 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 the chairman of our nomination committee, a member of each of our remuneration committee and sanction oversight committee and 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 菲利浦斯中國有限公司 (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 Midlevel 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. Wang is the father of Ms. Zhou.

Independent Non-executive Directors

Mr. Xin Junhe (辛俊和) (“Mr. Xin”), aged 69, 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Lin Cheong (梁年昌) (“Mr. Leung”), aged 72, is our 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 and was re-designated as the chief executive officer since April 2025. 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 68, is our independent non-executive director. He was appointed as an independent non-executive Director on 30 June 2022. He is also a member of each of our audit committee, nomination committee and remuneration committee. Mr. Zhang 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)).

Save as disclosed above, there is no other matter concerning the Directors which has to be disclosed pursuant to Rule 13.51B(1).

SENIOR MANAGEMENT

Mr. Chan Kwok Yuen, Elvis (陳國源) (“Mr. Chan”), aged 53, is the CFO. He joined our Group in July 2018 and is responsible for the accounting, financial, and investor relation affairs of our Group. He has over 30 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. On 20 March 2024, Mr. Chan has been appointed as the Company Secretary.

● CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)
Mr. Lin Jingyu (林景禹)
Ms. Zhou Sisi (周思思)

NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Lin Cheong (梁年昌)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)

AUDIT COMMITTEE

Mr. Leung Lin Cheong (梁年昌) (Chairman)
Mr. Xin Junhe (辛俊和)
Mr. Zhang Dawei (張大偉)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SANCTION OVERSIGHT COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Kwok Yuen, Elvis (陳國源)

AUTHORISED REPRESENTATIVES

Mr. Wang Jinlong (王金龍)
Mr. Chan Kwok Yuen, Elvis (陳國源)

REGISTERED OFFICE IN THE BRITISH VIRGIN ISLANDS

Commerce House
Wickhams Cay 1
P.O. Box 3140
Road Town, Tortola
British Virgin Islands
VG1110

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1603A, 16/F, Tower 1,
Silvercord,
30 Canton Road,
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

China Construction Bank, Nanshan sub-branch
F1, Tiley Shopping Centre
195 Haide Three Road
Nanshan District
Shenzhen
Guangdong
China 518054

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BRITISH VIRGIN ISLANDS

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

Bank of China, Qianhai Shekou Branch
Hai Jing Building
18 Taizi Road, Shekou
Nanshan District
Shenzhen
Guangdong
China 518067

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of Kunlun
Tower A, 1 Jinrong Dajie
Xicheng District
Beijing
China 100034

COMPANY'S WEBSITE

www.petro-king.cn

STOCK CODE

2178

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

● REPORT OF THE DIRECTORS

The directors (the “**Directors**”) of Petro-king Oilfield Services Limited (the “**Company**”) hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025 (The “**Year**” or “**2025**”).

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 39 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 17 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 89 to 90.

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 2025 are set out in note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 27 to the consolidated financial statements. There is no treasury share held by the Company as at 31 December 2025.

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 2025, 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 are set out in note 29 to the consolidated financial statements and "Share Option Scheme" section contained in this report of the Directors. 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 97.7% of the Group's total revenue. The amount of revenue attributable to the Group's largest customer represented approximately 57.5% of the Group's total revenue.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 51.1% of the Group's total purchases. The amount of purchases attributable to the Group's largest supplier represented approximately 23.5% of the Group's total purchases.

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

DIRECTORS

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

Executive Directors:

Mr. Zhao Jindong
Mr. Lin Jingyu
Ms. Zhou Sisi

Non-executive Directors:

Mr. Wang Jinlong

Independent Non-executive Directors:

Mr. Leung Lin Cheong
Mr. Xin Junhe
Mr. Zhang Dawei

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

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

DIRECTORS' SERVICE CONTRACTS

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

Name	Amount
Mr. Zhao Jindong	HK\$135,000 as Director and RMB800,000 for other positions with the Group
Mr. Lin Jingyu	HK\$135,000 as Director and CEO and RMB1,000,000 for other positions with the Group
Ms. Zhou Sisi	HK\$135,000 as Director and RMB300,000 as vice president with the Group

The non-executive Director 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 non-executive Director 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 Director as at the date of this report is as follows:

Name	Amount
Mr. Wang Jinlong	HK\$360,000

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 as at the date of this report 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 2025, 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)	6,020,000 (L)	0.35%
Mr. Lin Jingyu	Beneficial owner (Note 4)	10,984,854 (L)	0.64%
Mr. Leung Lin Cheong	Beneficial owner (Note 5)	500,000 (L)	0.03%
Mr. Xin Junhe	Beneficial owner (Note 5)	500,000 (L)	0.03%
Mr. Zhang Dawei	Beneficial owner (Note 5)	500,000 (L)	0.03%

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 10 January 2023. 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. Apart from the grant of share options, 20,000 shares were also beneficially owned by Mr. Zhao Jindong.
4. 9,500,000 share options were granted to Mr. Lin Jingyu on 10 January 2023. Therefore under Part XV of the SFO, Mr. Lin Jingyu 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, 1,484,854 shares were also beneficially owned by Mr. Lin Jingyu.
5. 500,000 share options were granted to each of Mr. Leung Lin Cheong, Mr. Xin Junhe, and Mr. Zhang Dawei, respectively on 10 January 2023. Therefore, under Part XV of the SFO, each of Mr. Leung Lin Cheong, Mr. Xin Junhe and Mr. Zhang Dawei is taken to be interested in the underlying shares of the Company that each of them is entitled to subscribe for subject to the exercise of the respective share options granted.

Save as disclosed above, as at 31 December 2025, 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 2025, 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 4)	488,920,138 (L)	28.32%
Mr. Lee Lap	Founder of a discretionary trust (Note 2)	337,269,760 (L)	19.53%
HSBC International Trustee Limited ("HKIT")	Trustee (Note 2)	337,269,760 (L)	19.53%
Lee & Leung (B.V.I.) Limited	Beneficial owner (Note 2)	335,737,745 (L)	19.44%
	Interest in a controlled corporation (Note 2 & 3)	1,532,015 (L)	0.09%
TCL Corporation	Interest in a controlled corporation (Note 3)	136,303,475 (L)	7.89%
T.C.L. Industries Holdings (H.K.) Limited ("TCL HK")	Interest in a controlled corporation (Note 3)	136,303,475 (L)	7.89%
Exceltop Holdings Limited	Interest in a controlled corporation (Note 3)	136,303,475 (L)	7.89%
Jade Max Holdings Limited	Interest in a controlled corporation (Note 3)	136,303,475 (L)	7.89%
Jade Win Investment Limited ("Jade Win")	Beneficial owner	136,303,475 (L)	7.89%

REPORT OF THE DIRECTORS

Notes:

1. "L" denotes long position and "S" denotes short position.
2. 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. 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.
3. 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.
4. 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.

Save as disclosed above, as at 31 December 2025, 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 2025, 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 2013 Share Option Scheme was adopted which has been expired on 18 February 2023. The Company has conditionally adopted a new share option scheme (the "**New Share Option Scheme**") upon approval by the shareholders of the Company at an extraordinary general meeting on 8 May 2025, which has become unconditional on 23 May 2025. Set out below are details of the movements of share options during the financial year ended 31 December 2025:

Grantees	Date of grant	Exercise price (HK\$)	Closing price of shares on the date of grant	Options outstanding as at 1 January 2025	Options granted since 1 January 2025	Options exercised since 1 January 2025	Options lapsed/ cancelled since 1 January 2025	Options outstanding as at 31 December 2025	Notes
Directors, chief executives and substantial shareholders									
Zhao Jindong	10 January 2023	0.075	0.075	6,000,000	-	-	-	6,000,000	(1)
Lin Jingyu	10 January 2023	0.075	0.075	9,500,000	-	-	-	9,500,000	(1)
Huang Yu (deceased on 4 March 2023)	31 May 2019	0.1922	0.183	17,000,000	-	-	(17,000,000)	-	(2)
	10 January 2023	0.075	0.075	8,000,000	-	-	(8,000,000)	-	(3)
Leung Lin Cheong	10 January 2023	0.075	0.075	500,000	-	-	-	500,000	(1)
Xin Junhe	10 January 2023	0.075	0.075	500,000	-	-	-	500,000	(1)
Zhang Dawei	10 January 2023	0.075	0.075	500,000	-	-	-	500,000	(1)
Employees and senior management	16 August 2018	0.326	0.32	5,000,000	-	-	(5,000,000)	-	(4)
	10 January 2023	0.075	0.075	48,500,000	-	-	(500,000)	48,000,000	(1)
Total				95,500,000	-	-	(30,500,000)	65,000,000	

REPORT OF THE DIRECTORS

Notes:

- (1) 33% of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable from 10 January 2024 to 9 January 2033, both dates inclusive.

Another 33% of the share options shall be vested on the date falling on the second anniversary of the date of grant and exercisable from 10 January 2025 to 9 January 2033, both dates inclusive.

The remaining of the share options shall be vested on the date falling on the third anniversary of the date of grant and exercisable from 10 January 2026 to 9 January 2033, 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 by the personal representative(s) of Mr. Huang Yu from 31 May 2020 to 31 December 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 by the personal representative(s) of Mr. Huang Yu from 31 May 2021 to 31 December 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 by the personal representative(s) of Mr. Huang Yu from 31 May 2022 to 31 December 2025, both dates inclusive.

Another 20% of the share options shall be vested on the date falling on the fourth anniversary of the date of grant and exercisable by the personal representative(s) of Mr. Huang Yu from 31 May 2023 to 31 December 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 by the personal representative(s) of Mr. Huang Yu from 31 May 2024 to 31 December 2025, both dates inclusive.

- (3) All of the share options shall be vested on the date falling on the first anniversary of the date of grant and exercisable by the personal representative(s) of Mr. Huang Yu from 10 January 2024 to 31 December 2025, 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 New 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 New 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 New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 172,667,468 shares, being 10% of the total number of Shares in issue as at the date of passing the resolution approving the New Share Options Scheme and approximately 10.0% 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 New 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 New 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 New 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 New Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the New Share Option Scheme is adopted, after which period no further share options will be granted but the provisions of the New 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 New 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. A maximum number of 172,667,468 share options may be granted under the New Share Option Scheme as at the date of this report.

The number of options available for grant under the scheme mandate at the beginning of the Year was zero Share due to the expiry of the Share Option Scheme on 18 February 2023. The number of options available for grant under the scheme mandate at the end of the Year was 172,667,468 Share upon the adoption of the New Share Option Scheme during the Year. There was no service provider sublimit set under the Share Option Scheme.

REPORT OF THE DIRECTORS

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company at the beginning of the Year divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the Year was approximately 5.53%. The number of shares that may be issued in respect of options and awards granted under all schemes of the Company at the end of the Year divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the Year was approximately 3.76%.

Details of New Share Option Scheme are stated in note 29 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

On 8 May 2025, 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 “**Framework Agreement**”) with 百勤能源科技(廣東)股份有限公司 (Petro-king Energy Technology (Energy) Co., Ltd.#), (“**Petro-king Energy**”) and its subsidiary Star Petrotech Pte. Ltd. (collectively, the “**Petro-king Energy Group**”), whereby the PRC Subsidiaries agreed to purchase from the Petro-king Energy Group well completion products, production enhancement products and drilling products for a term of three years for a term of three years retrospectively from 1 January 2025 to 31 December 2027. The annual caps for the transactions contemplated under the Framework Agreement shall not be more than RMB20,000,000 (equivalent to approximately HK\$21,535,000) (the “**Annual Caps**”) for each of the three financial years ending 31 December 2025, 2026 and 2027.

REPORT OF THE DIRECTORS

The transactions contemplated under the 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 Annual Caps of the transactions contemplated under the Framework Agreement exceeds 5% and the Annual Caps exceed HK\$10,000,000, the 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 Framework Agreement were set out in the Company's announcement and circular dated 8 May 2025 and 28 May 2025, respectively. The Framework Agreement and the transactions and the proposed annual caps contemplated thereunder were approved, confirmed and ratified by independent shareholders at an extraordinary general meeting on 12 June 2025.

The total value of transactions charged to the Group for the transactions contemplated under the Framework Agreement for the year ended 31 December 2025 was RMB16,608,614 (equivalent to approximately HK\$18,113,000).

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 2025 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 Energy

On 13 February 2026, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.#) ("**Petro-king Shenzhen**"), an indirect wholly-owned subsidiary of the Company, entered into a new guarantee agreement with 惠州農村商業銀行股份有限公司 (Huizhou Rural Commercial Bank#) (the "**HRC Bank**") for the purpose of providing a new corporate guarantee (the "**New Guarantee**") for a new bank revolving loan facility in the amount of RMB63,000,000 offered by the HRC Bank to Petro-king Energy, pursuant to which the guarantee amount of Petro-king Shenzhen would be limited to its proportion of equity interest in Petro-king Energy. In return for the provision of the New Guarantee, Petro-king Shenzhen is entitled to receive from Petro-king Energy a guarantee fee of 1.0% per annum of the outstanding principal amount of the loans under the New Loan Facility multiplied by the then equity interest in Petro-king Energy held by Petro-king Shenzhen (calculated on a daily basis), agreed based on arm's length negotiations between Petro-king Shenzhen and Petro-king Energy and the prevailing fee rate of the provision of guarantee in the market. Further details of the New Guarantee Agreement were set out in the Company's announcement dated 13 February 2026.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New Guarantee are more than 5% but all of them are less than 25%, the provision of the New Guarantee constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The provision of the New Guarantee constitutes the provision of financial assistance by the Group to Petro-king Energy, and therefore connected transactions of the Company under Chapter 14A of the Listing Rules. As the New Guarantee have been entered into on normal commercial terms or better, and have been provided by the Group in proportion to the equity interest held by the Group in Petro-king Energy on several but not joint basis, the New Guarantee are fully exempted from the requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.89 of the Listing Rules.

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 2025.

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 2025 are set out in note 33 to the consolidated financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 50 to 60.

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 18 to 49.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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. There has been no change of auditor in the last three years.

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

Hong Kong, 25 March 2026

* *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 89 to 188, which comprise the consolidated statement of financial position as at 31 December 2025, 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 material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and of 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.

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**”), as applicable to audits of financial statements of public interest entities. We have also 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 2(b)(ii) to the consolidated financial statements, which indicates that the Group had total current bank and other borrowings of approximately HK\$101,897,000, while the Group only had cash and cash equivalents of approximately HK\$44,541,000 as at 31 December 2025. As stated in Note 2(b)(ii), 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 4.7, Note 5(b), Note 16, Note 17, Note 18 to the consolidated financial statements.

As at 31 December 2025, the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets were approximately HK\$100,189,000, HK\$26,756,000 and HK\$3,553,000, respectively.

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

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.

Based on the impairment test, management concluded that there was no impairment loss recognised during the year.

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 of oilfield project tools and services segment and consultancy services segment 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 4.8(b), Note 4.11, Note 5(c), Note 21(a) and Note 22 to the consolidated financial statements.

As at 31 December 2025, the Group had gross trade receivables and contract assets of approximately HK\$145,182,000 and HK\$168,189,000 and provision for impairment of trade receivables and contract assets of approximately HK\$3,709,000 and HK\$1,964,000, 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 of trade receivables of approximately HK\$1,285,000 and net impairment loss of contract assets of approximately HK\$1,231,000 was made for the year ended 31 December 2025.

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 IFRS Accounting 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 HKSA's 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 HKSA's, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Cheung Or Ping

Practising Certificate no. P05412

Hong Kong, 25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

		For the year ended 31 December	
		2025	2024
	Notes	HK\$'000	HK\$'000
Revenue	6	267,906	292,444
Other income	7	5,777	2,333
Operating costs			
Material costs	20	(47,458)	(41,390)
Depreciation of property, plant and equipment	16	(13,730)	(24,038)
Depreciation of right-of-use assets	18(b)	(1,739)	(1,843)
Expenses related to short-term leases	18(b)	(1,852)	(3,191)
Employee benefit expenses	8	(31,366)	(44,012)
Distribution expenses		(2,285)	(6,067)
Technical service fees		(107,554)	(124,433)
Research and development expenses		(22,431)	(23,109)
Entertainment and marketing expenses		(9,607)	(9,254)
Other expenses	10	(18,673)	(22,222)
Net reversal of impairment on financial assets	21	1,285	11,165
Net (impairment loss)/reversal of impairment on contract assets	22	(1,231)	1,570
Reversal of write-down of inventories to net realisable value	20	143	1,817
Other gains and losses, net	11	1,932	(4,570)
Operating profit		19,117	5,200
Finance income	12	401	1,344
Finance costs	12	(11,394)	(12,844)
Finance costs, net		(10,993)	(11,500)
Share of results of associates	31	15,776	(6,999)
Profit/(loss) before income tax expense		23,900	(13,299)
Income tax expense	13	(1,031)	(1,363)
Profit/(loss) for the year		22,869	(14,662)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	For the year ended 31 December	
		2025 HK\$'000	2024 HK\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		5,536	1,503
Release of translation reserve upon disposal of interests in associates		–	(41)
Release of translation reserve upon deregistration of a subsidiary		–	1,598
Share of other comprehensive income of associates		(319)	(174)
Other comprehensive income for the year, net of tax		5,217	2,886
Total comprehensive income for the year		28,086	(11,776)
Profit/(loss) for the year attributable to:			
Owners of the Company		23,189	(17,788)
Non-controlling interests		(320)	3,126
		22,869	(14,662)
Total comprehensive income for the year attributable to:			
Owners of the Company		28,406	(14,895)
Non-controlling interests		(320)	3,119
		28,086	(11,776)
Earnings/(loss) per share attributable to owners of the Company during the year			
Earnings/(loss) per share – basic and diluted (HK cents)	14	1.3	(1.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	100,189	108,239
Intangible assets	17	26,756	26,756
Right-of-use assets	18	3,553	1,460
Financial asset at fair value through profit or loss ("FVTPL")	19(a)	7,097	5,355
Interests in associates	31	98,353	84,376
Other receivables and deposits	21(b)	417	22
		236,365	226,208
Current assets			
Inventories	20	11,514	8,406
Trade receivables	21(a)	141,473	201,648
Contract assets	22	166,225	110,082
Other receivables and deposits	21(b)	40,365	42,169
Prepayments	21(b)	10,721	10,089
Cash and cash equivalents	23	44,541	15,607
Restricted bank deposits	23	31,984	28,730
		446,823	416,731
Current liabilities			
Trade payables	24(a)	228,391	203,232
Other payables and accruals	24(b)	96,405	104,175
Contract liabilities	22	493	1,554
Lease liabilities	18	1,510	1,295
Bank and other borrowings	25	101,897	106,389
Financial liabilities at FVTPL	19(b)	6,129	451
		434,825	417,096
Net current assets/(liabilities)		11,998	(365)
Total assets less current liabilities		248,363	225,843

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Bank and other borrowings	25	37,599	40,797
Lease liabilities	18	2,056	168
Financial liabilities at FVTPL	19(b)	–	4,615
		39,655	45,580
Net assets		208,708	180,263
EQUITY			
Capital and reserves			
Share capital	27	2,001,073	2,001,073
Other reserves	28	92,094	89,392
Accumulated losses		(1,891,584)	(1,917,647)
Equity attributable to owners of the Company		201,583	172,818
Non-controlling interests		7,125	7,445
Total equity		208,708	180,263

The consolidated financial statements on pages 89 to 188 were approved by the board of directors on 25 March 2026 and were signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Lin Jingyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Other reserves (Note 28)	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2025	2,001,073	89,392	(1,917,647)	172,818	7,445	180,263
Comprehensive income						
Profit for the year	–	–	23,189	23,189	(320)	22,869
Other comprehensive income						
Exchange differences on translation of foreign operations	–	5,536	–	5,536	–	5,536
Share of other comprehensive income of associates	–	(319)	–	(319)	–	(319)
Total comprehensive income for the year	–	5,217	23,189	28,406	(320)	28,086
Recognition of share-based payment (Note 29)	–	359	–	359	–	359
Transfer of share-based payment reserve upon expiry of share options (Note 29)	–	(2,874)	2,874	–	–	–
	–	(2,515)	2,874	359	–	359
Balance at 31 December 2025	2,001,073	92,094	(1,891,584)	201,583	7,125	208,708

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Other reserves (Note 28)	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2024	2,001,073	85,615	(1,899,859)	186,829	4,326	191,155
Comprehensive income						
Loss for the year	–	–	(17,788)	(17,788)	3,126	(14,662)
Other comprehensive income						
Exchange differences on translation of foreign operations	–	1,510	–	1,510	(7)	1,503
Release of translation reserve upon disposal of associates	–	(41)	–	(41)	–	(41)
Release of translation reserve upon deregistration of a subsidiary	–	1,598	–	1,598	–	1,598
Share of other comprehensive income of associates	–	(174)	–	(174)	–	(174)
Total comprehensive income for the year	–	2,893	(17,788)	(14,895)	3,119	(11,776)
Recognition of share-based payment (Note 29)	–	884	–	884	–	884
Balance at 31 December 2024	2,001,073	89,392	(1,917,647)	172,818	7,445	180,263

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Profit/(loss) before income tax expense		23,900	(13,299)
Adjustments for:			
Depreciation of property, plant and equipment	16	13,730	24,038
Depreciation of right-of-use assets	18(b)	1,739	1,843
Share-based payment	8	359	884
Net reversal of impairment on financial assets	21	(1,285)	(11,165)
Net impairment loss/(reversal of impairment) on contract assets	22	1,231	(1,570)
Reversal of write-down of inventories to net realisable value	20	(143)	(1,817)
Loss on disposals of property, plant and equipment	11	491	105
Fair value (gain)/loss on financial asset at FVTPL	11	(1,582)	3,005
Fair value loss on financial liabilities at FVTPL	11	922	2,807
Loss on deregistration of a subsidiary	11	–	1,680
Loss on disposal of a subsidiary	11	–	22
Loss on deemed acquisition of interests in associates	11	4,237	–
Gain on disposals of interests in associates	11	–	(2,184)
Gain on lease modifications	11	(2)	(12)
Net finance costs	12	10,993	11,500
Share of results of associates		(15,776)	6,999
Operating profit before working capital changes		38,814	22,836
(Increase)/decrease in inventories		(2,880)	14,770
Decrease in trade receivables, other receivables and deposits, prepayments and contract assets		4,574	35,987
Increase/(decrease) in trade payables, other payables and accruals and contract liabilities		11,904	(18,573)
Increase in restricted bank deposits		(2,493)	(23,919)
Cash generated from operations		49,919	31,101
Interest paid		(13,637)	(10,288)
Income tax paid		(1,031)	(1,605)
Net cash generated from operating activities		35,251	19,208

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,542)	(7,694)
Proceeds from disposal of property, plant and equipment	32(a)	13	29
Proceeds from disposal of interests in associates		–	5,479
Interest received		401	710
Loan advanced to related parties		–	(3,119)
Repayments of loan receivables from related parties		–	20,840
Advances to related parties		(101)	(735)
Net cash (used in)/generated from investing activities		(3,229)	15,510
Cash flows from financing activities			
Proceeds from borrowings	32(c)	171,451	72,922
Repayments of borrowings	32(c)	(182,109)	(110,221)
Principal elements of lease liabilities	32(c)	(1,727)	(1,911)
Advances from/(repayments to) related parties	32(c)	7,142	(3,528)
Net cash used in financing activities		(5,243)	(42,738)
Net increase/(decrease) in cash and cash equivalents		26,779	(8,020)
Cash and cash equivalents at beginning of year		15,607	26,294
Effect of foreign exchange rates changes		2,155	(2,667)
Cash and cash equivalents at end of year	23	44,541	15,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company has its listing on The Stock Exchange of the 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 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.

2. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption

The Group had total current bank and other borrowings of approximately HK\$101,897,000, while the Group only had cash and cash equivalents of approximately HK\$44,541,000 as at 31 December 2025.

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 a fifteen-month period from the end of the 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 March 2026, the Group has obtained an additional loan facility with an amount of RMB36,000,000 from a bank located in the People’s Republic of China (the “**PRC**”) (Note 25(a)(ii)). As of the date of approval of these consolidated financial statements, the Group has not drawn down this facility. The Group is also actively negotiating with the same bank for new loan facilities for its working capital needs for the Group’s oilfield and gas field projects in the PRC.
- (b) In February 2026, the Group entered into a supplemental agreement with a shareholder, pursuant to which the shareholder has extended the repayment date of the shareholder’s loan of HK\$10,000,000 to September 2027 (Note 25(b)(v)).
- (c) In January 2026, the Group entered into various supplemental agreements with certain employees and an independent lender, pursuant to which the employees and the independent lender have extended the repayment dates of certain loan facilities with an aggregate amount of RMB4,370,000 and RMB1,000,000 respectively (equivalent to approximately HK\$4,838,000 and HK\$1,107,000, respectively) provided to the Group to July 2027 (Note 25(b)(iii) and 25(b)(iv)).

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.

2. BASIS OF PREPARATION (Continued)

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

(ii) Going concern assumption (Continued)

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 relevant bank located in the PRC to fund its working capital needs of the Group's oilfield and gas field projects in the PRC;
- (ii) successfully maintaining the existing loan facility granted by the shareholder of the Company;
- (iii) successfully maintaining the existing loan facilities granted by certain employees and the independent lender; and
- (iv) generating cash flows from the operations of the oilfield project tools and services based on the expected project schedules.

These conditions 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, it may not be able to continue as a going concern, and adjustments would have to be made to reduce the carrying values of the Group's assets to their realisable amounts, to provide for any further 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 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.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

(a) Adoption of amended IFRS Accounting Standards – effective 1 January 2025

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

Amendments to IAS 21	Lack of Exchangeability
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosure about Uncertainties in the Financial Statements

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 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – dependent Electricity ¹
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards - Volume 11 ¹
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

3. ADOPTION OF IFRS ACCOUNTING STANDARDS (Continued)

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

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's financial position and performance, except IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to have impact on the Group's presentation of the consolidated statements of profit or loss and disclosures of the Group's financial performance but are unlikely to have a significant impact on the Group's net profit and financial position in the period of initial application for IFRS 18.

4. MATERIAL 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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

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.

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.

4.2 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. MATERIAL ACCOUNTING POLICIES (Continued)

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. MATERIAL 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 4.7), 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. MATERIAL 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:

Plant and machineries	5-10 years
Motor vehicles	5 years
Computer equipment	3-5 years
Furniture and fixtures	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. MATERIAL ACCOUNTING POLICIES (Continued)

4.6 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.

4.7 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 IFRS Accounting Standards, in which case the impairment loss is treated as a revaluation decrease under that IFRS Accounting Standards.

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 IFRS Accounting Standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS Accounting Standards.

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. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 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.

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 is one measurement category 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.

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 instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Financial instruments (Continued)

(b) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“**ECL**”) on debt and financial assets measured at amortised cost. 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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Financial instruments (Continued)

(b) Impairment loss on financial assets (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Financial instruments (Continued)

(c) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the profit or loss.

(d) Equity instruments

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

(e) 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.

4.9 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. MATERIAL ACCOUNTING POLICIES (Continued)

4.10 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.

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.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.10 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. MATERIAL ACCOUNTING POLICIES (Continued)

4.10 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.

4.11 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 4.8(b) and are reclassified to receivables when the right to the consideration has become unconditional.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.12 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.

(b) Deferred income tax

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.

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. MATERIAL ACCOUNTING POLICIES (Continued)

4.13 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.

4.14 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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.14 Employee benefits (Continued)

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

(ii) PRC (excluding Hong Kong)

The Group's companies in the PRC 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 PRC. 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.

(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.

4.15 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

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.

(a) Going concern assumption

As mentioned in Note 2(b)(ii), the Directors have prepared the consolidated financial statements for the year ended 31 December 2025 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the Directors, at a particular point in time, about the future outcome of events or conditions which are uncertain. These include the Group's ability to obtain and draw down new loan facilities from the relevant bank located in the PRC to finance the working capital requirements of its oilfield and gas field projects in PRC, and its ability to generate sufficient operating cash flows from its oilfield project tools and services based on the expected project schedules.

(b) Estimated impairment of non-financial assets

The Group follows the guidance of IAS 36 to determine when assets, for example goodwill, property, plant and equipment, other intangible assets and right-of-use assets are impaired, which requires significant judgement. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4.7. For the purpose of impairment testing, non-financial assets are allocated to their CGUs. Those CGUs are tested for impairment when impairment indicators existed at the end of reporting period. Identification of CGUs and the respective composition of the assets and liabilities allocated to the CGUs, and preparation of the recoverable amounts including cash flow projections involved the use of significant management judgements with respect to the underlying assumptions. Changing the assumptions and estimates, including the discount rates, compound annual growth rate and terminal growth rate in the cash flow projections, could materially affect the net present value used in the impairment test. Further information on impairment testing on non-financial assets are provided in notes 16 and 17.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

The Group follows the guidance of IFRS 9 to determine 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 35(b)(ii) to the consolidated financial statements.

6. REVENUE AND SEGMENT INFORMATION

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 presidents 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.

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 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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue

Revenue recognised during the years ended 31 December 2025 and 2024 is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Production enhancement work	218,834	235,410
– Drilling work	30,768	26,532
– Well completion work	8,602	5,634
	258,204	267,576
Consultancy services		
– Integrated project management services	3,456	6,950
– Supervisory services	6,246	17,918
	9,702	24,868
Total revenue	267,906	292,444

	2025 HK\$'000	2024 HK\$'000
Timing of revenue recognition within the scope of IFRS 15:		
– At a point in time	2,210	2,803
– Over time	265,696	289,641
	267,906	292,444

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 2025 are as follows:

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
Year ended 31 December 2025			
Revenue from external customers	258,204	9,702	267,906
Inter-segment revenue	–	–	–
Total segment revenue	258,204	9,702	267,906
Segment results	4,954	4,098	9,052
Net unallocated income			14,848
Profit before income tax expense			23,900
Other information:			
Depreciation of property, plant and equipment	(13,144)	–	(13,144)
Depreciation of right-of-use assets	(1,536)	–	(1,536)
Net reversal of impairment on financial assets (Note 21(a))	953	332	1,285
Net impairment loss on contract assets (Note 22)	(1,152)	(79)	(1,231)
Reversal of write-down of inventories to net realisable value (Note 20)	143	–	143
Finance costs	(8,915)	–	(8,915)

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
Year ended 31 December 2024			
Revenue from external customers	267,576	24,868	292,444
Inter-segment revenue	–	–	–
Total segment revenue	267,576	24,868	292,444
Segment results	(10,053)	14,914	4,861
Net unallocated expenses			(18,160)
Loss before income tax expense			(13,299)
Other information:			
Depreciation of property, plant and equipment	(23,441)	–	(23,441)
Depreciation of right-of-use assets	(1,504)	–	(1,504)
Net reversal of impairment on financial assets (Note 21(a))	10,883	282	11,165
Net reversal of impairment on contract assets (Note 22)	1,569	1	1,570
Reversal of write-down of inventories to net realisable value (Note 20)	1,817	–	1,817
Finance costs	(9,547)	–	(9,547)

Measurement of profit or loss of the operating segments are the same as the reportable segments. The CODM evaluates performance of reportable segments based on a measure of revenue and revenue less all directly attributable costs.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment results (Continued)

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

	2025 HK\$'000	2024 HK\$'000
Segment results	9,052	4,861
Depreciation of property, plant and equipment	(586)	(597)
Depreciation of right-of-use assets	(203)	(339)
Finance costs	(2,479)	(3,297)
Finance income	401	1,344
Other income	5,777	2,333
Other gains and losses, net	1,932	(4,570)
Share of results of associates	15,776	(6,999)
Other unallocated corporate expenses	(5,770)	(6,035)
Consolidated profit/(loss) before income tax expense	23,900	(13,299)

The segment results included the profit/(loss) of each operating segment without allocation of following items such as corporate expenses, finance income, other income, other gains and losses, net and share of results of associates.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities

The segment assets and segment liabilities as at 31 December 2025 and 2024 are as follows:

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
As at 31 December 2025			
Segment assets	544,628	30,244	574,872
Unallocated assets			108,316
Total assets			683,188
Segment liabilities	428,981	1,026	430,007
Unallocated liabilities			44,473
Total liabilities			474,480
Total assets include:			
Additions to non-current assets (other than financial instruments)	3,763	–	3,763

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities (Continued)

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
As at 31 December 2024			
Segment assets	519,963	29,713	549,676
Unallocated assets			93,263
Total assets			642,939
Segment liabilities	405,726	1,243	406,969
Unallocated liabilities			55,707
Total liabilities			462,676
Total assets include:			
Additions to non-current assets (other than financial instruments)	7,505	–	7,505

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment assets and segment liabilities (Continued)

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

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

	2025 HK\$'000	2024 HK\$'000
Segment assets for reportable segments	574,872	549,676
Unallocated assets		
– Property, plant and equipment	2,384	2,705
– Right-of-use assets	306	191
– Financial asset at FVTPL	7,097	5,355
– Interests in associates	98,353	84,376
– Other receivables, deposits and prepayments	117	225
– Cash and cash equivalents	59	411
Total assets per consolidated statement of financial position	683,188	642,939

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:

	2025 HK\$'000	2024 HK\$'000
Segment liabilities for reportable segments	430,007	406,969
Unallocated liabilities		
– Bank and other borrowings	25,965	40,086
– Lease liabilities	312	207
– Financial liabilities at FVTPL	6,129	5,066
– Other payables and accruals	12,067	10,348
Total liabilities per consolidated statement of financial position	474,480	462,676

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:

	2025 HK\$'000	2024 HK\$'000
The PRC	261,301	268,274
The Middle East	3,049	18,364
Others	3,556	5,806
	267,906	292,444

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

	2025 HK\$'000	2024 HK\$'000
The PRC	218,856	210,029
The Middle East	9,995	10,802
	228,851	220,831

(e) Information about major customers

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

	2025 HK\$'000	2024 HK\$'000
Customer A	154,060	187,789
Customer B	78,887	70,266

Customer A's contribution of the total revenue of the Group are from oilfield project tools and services segment. Customer B's contributions of the total revenue of the Group are from both oilfield project tools and services segment and consultancy services segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Financial guarantee income	147	131
Rental income	2,490	2,125
Bad debts recovered	3,140	77
	5,777	2,333

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2025 HK\$'000	2024 HK\$'000
Wages, salaries and bonus	41,077	48,007
Pension costs	5,493	5,778
Share options granted to directors, senior management and employees (<i>Note 29</i>)	359	884
Other staff benefits	2,619	3,718
Less: employee benefit expenses attributable for research and development	(18,182)	(14,375)
	31,366	44,012

As at 31 December 2025, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2024: 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 2025 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	–	1,007	–	–	35	19	1,061
Mr. Lin Jingyu*	–	1,226	–	–	55	129	1,410
Ms. Zhou Sisi	–	462	–	–	–	97	559
Non-executive director							
Mr. Wang Jinlong	–	360	–	–	–	18	378
Independent non-executive director							
Mr. Leung Lin Cheong	–	240	–	–	3	–	243
Mr. Xin Junhe	–	153	–	–	3	–	156
Mr. Zhang Dawei	–	153	–	–	3	–	156
	–	3,601	–	–	99	263	3,963

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 2024 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	–	1,013	–	–	70	19	1,102
Mr. Lin Jingyu*	–	1,233	–	–	111	121	1,465
Ms. Zhou Sisi	–	464	–	–	–	93	557
Non-executive director							
Mr. Wang Jinlong	–	360	–	–	–	18	378
Independent non-executive director							
Mr. Leung Lin Cheong	–	240	–	–	6	–	246
Mr. Xin Junhe	–	153	–	–	6	–	159
Mr. Zhang Dawei	–	153	–	–	6	–	159
	–	3,616	–	–	199	251	4,066

* Mr. Lin Jingyu is 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 2025 and 2024, 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 (2024: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2024: Nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2025 and 2024.

9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors, one of whom is also chief executive officer (2024: same) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2024: three) individuals during the year are as follows:

	2025 HK\$'000	2024 HK\$'000
Salary	3,048	3,078
Employer's contribution to pension scheme	159	149
Share-based payment	52	105
	3,259	3,332

The emoluments fell within the following bands:

	Number of individuals	
	2025	2024
Emoluments band		
– Nil to HK\$1,000,000	2	1
– HK\$1,000,001 – HK\$1,500,000	1	2
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER EXPENSES

	2025 HK\$'000	2024 HK\$'000
Auditor's remuneration		
– Audit service	1,850	1,850
– Non-audit services	250	250
Communication	514	597
Professional service fees	3,941	7,104
Motor vehicle expenses	2,149	1,901
Travelling	6,228	6,855
Insurance	316	514
Office utilities	612	656
Other taxes	622	908
Bank charges	110	118
Others	2,785	4,322
Less: other expenses attributable for research and development	(704)	(2,853)
	18,673	22,222

11. OTHER GAINS AND LOSSES, NET

	2025 HK\$'000	2024 HK\$'000
Loss on disposals of property, plant and equipment (Note 32(a))	(491)	(105)
Loss on deemed acquisition of interests in associates (Note 31)	(4,237)	–
Gain on disposals of interests in associates (Note 31)	–	2,184
Loss on deregistration of a subsidiary	–	(1,680)
Loss on disposal of a subsidiary	–	(22)
Fair value gain/(loss) on financial asset at FVTPL	1,582	(3,005)
Fair value loss on financial liabilities at FVTPL	(922)	(2,807)
Gain on lease modifications	2	12
Government grant (Note)	4,646	949
Foreign exchange gains, net	1,167	1,061
Others	185	(1,157)
	1,932	(4,570)

Note:

The amounts represented subsidies from government for research activities. 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

	2025 HK\$'000	2024 HK\$'000
Interest income from bank deposits	68	70
Interest income from a related party	–	640
Interest income from others	333	634
Finance income	401	1,344
Interest expenses:		
– Bank and other borrowings	(11,289)	(12,672)
– Lease liabilities (<i>Note 18</i>)	(105)	(172)
Finance costs	(11,394)	(12,844)
Finance costs, net	(10,993)	(11,500)

13. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current tax – PRC corporate income tax	–	–
– Under/(over) provision in prior year	98	(21)
	98	(21)
Overseas withholding tax	933	1,384
Income tax expense	1,031	1,363

13. INCOME TAX EXPENSE (Continued)

The tax on the Group's profit/(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 entities as follows:

	2025 HK\$'000	2024 HK\$'000
Profit/(loss) before income tax expense	23,900	(13,299)
Tax calculated at domestic tax rates applicable to profit/(loss) in the respective entities	5,519	(1,187)
Tax effect of share of results of associates	(3,944)	1,750
Tax effect of income not subject to tax	(850)	(3,747)
Tax effect of expenses not deductible for tax purposes	507	155
Tax effect of temporary differences not recognised	2	12
Tax effect of previously unrecognised tax loss utilised	(3,103)	(3,428)
Tax effect of tax losses for which no deferred tax assets was recognised	1,869	6,445
Under/(over) provision in prior year	98	(21)
Overseas withholding tax	933	1,384
Income tax expense	1,031	1,363

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2024: 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% (2024: 25%) except three (2024: two) of these subsidiaries as discussed below.

For the year ended 31 December 2025, Petro-king Oilfield Technology Limited ("**Petro-king Technology**"), Petro-king (Chongqing) Oil & Gas Engineering Technology Service Ltd. ("**Petro-king (Chongqing)**") and Shenzhen Petro-king Drilling Technology Co., Ltd. ("**Shenzhen Drilling**") were approved by relevant local tax bureau authorities as the High and New Technological Enterprise, and were entitled to a preferential CIT rate of 15% (2024: 15%) from 2025 to 2027, from 2023 to 2025 and 2025 to 2027 respectively. The High and New Technological Enterprise qualification is subjected to be renewed every three years.

(c) Overseas withholding tax

Overseas withholding tax was calculated at rates ranging from 10% to 35% (2024: 15% to 35%) from the invoiced amount or the deemed profit earned by certain subsidiaries of the Group in accordance to its respective jurisdiction as determined by the relevant overseas authorities.

14. EARNINGS/(LOSS) PER SHARE

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

	2025	2024
Profit/(loss) for the year attributable to owners of the Company (HK\$'000)	23,189	(17,788)
Weighted average number of ordinary shares (Number of shares in thousand)	1,726,674	1,726,674
Basic and diluted earnings/(loss) per share (HK cents)	1.3	(1.0)

Diluted earnings/(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.

Diluted earnings (2024: loss) per share for the year ended 31 December 2025 was the same as basic earnings (2024: loss) per share since all potential ordinary shares are anti-dilutive (2024: anti-dilutive) as the conversion of potential ordinary shares in relation to the share options (2024: share options) have an anti-dilutive effect to the basic earnings (2024: loss) per share.

15. DIVIDEND

For the year ended 31 December 2025, no interim dividend was declared by the Company to its shareholders (2024: Nil).

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and machineries HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
At 31 December 2023					
Cost	477,177	6,189	1,741	7,207	492,314
Accumulated depreciation and impairment	(353,022)	(4,875)	(1,480)	(5,678)	(365,055)
Net book amount	124,155	1,314	261	1,529	127,259
Year ended 31 December 2024					
Opening net book amount	124,155	1,314	261	1,529	127,259
Additions	7,396	242	56	–	7,694
Depreciation	(23,441)	(462)	(42)	(93)	(24,038)
Disposals (Note 32(a))	(76)	(29)	(29)	–	(134)
Exchange differences	(2,496)	(36)	(5)	(5)	(2,542)
Closing net book amount	105,538	1,029	241	1,431	108,239
At 31 December 2024					
Cost	474,440	6,022	1,475	7,156	489,093
Accumulated depreciation and impairment	(368,902)	(4,993)	(1,234)	(5,725)	(380,854)
Net book amount	105,538	1,029	241	1,431	108,239
Year ended 31 December 2025					
Opening net book amount	105,538	1,029	241	1,431	108,239
Additions	3,222	257	54	9	3,542
Depreciation	(13,100)	(493)	(44)	(93)	(13,730)
Disposals (Note 32(a))	(446)	(32)	(26)	–	(504)
Exchange differences	2,593	40	5	4	2,642
Closing net book amount	97,807	801	230	1,351	100,189
At 31 December 2025					
Cost	483,751	6,102	1,269	7,196	498,318
Accumulated depreciation and impairment	(385,944)	(5,301)	(1,039)	(5,845)	(398,129)
Net book amount	97,807	801	230	1,351	100,189

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2025, machineries with carrying amount of approximately HK\$53,937,000 (2024: HK\$59,148,000) were purchased under certain instalment loans secured by those machineries, with interest of 6% per annum. Details are set out in the Note 25(b)(ii) to the consolidated financial statements.

For the year ended 31 December 2025, the management identified impairment indicator of property, plant and equipment due to underperformance in the segment of oilfield project tools and services than anticipated. The Group assessed the recoverable amounts of the property, plant and equipment and other assets attributable to the cash-generating unit (“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 2025, the recoverable amount of the CGU related to the segment of oilfield project tools and services have been determined based on value-in-use calculation, which was arrived at on the basis of valuation carried out by an independent professional valuer. The calculation uses discounted pre-tax cash flow projections based on the most recent financial budgets approved by the management of the Company covering a period of the remaining useful lives of the essential assets of CGU, which represented the management’s best estimate on the ongoing operation of the CGU where the existing CGU will continue to operate in the foreseeable future and are consistent with past actual outcomes. The key assumptions for the cash flow projections are those regarding the compound annual growth rate and discount rate. The compound annual growth rate is 4% (2024: 2%). Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 2% (2024: 2%), and the terminal 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% (2024: 13%).

17. INTANGIBLE ASSETS

	Goodwill – Oilfield project tools and services HK\$'000	Goodwill – Consultancy services HK\$'000	Computer software HK\$'000	Total HK\$'000
At 1 January 2025				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(68,700)	(8,213)	(501,725)
Net book amount	–	26,756	–	26,756
Year ended 31 December 2025				
Opening net book amount	–	26,756	–	26,756
Impairment	–	–	–	–
Closing net book amount	–	26,756	–	26,756
At 31 December 2025				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(68,700)	(8,213)	(501,725)
Net book amount	–	26,756	–	26,756

17. INTANGIBLE ASSETS (Continued)

	Goodwill – Oilfield project tools and services HK\$'000	Goodwill – Consultancy services HK\$'000	Computer software HK\$'000	Total HK\$'000
At 1 January 2024				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(68,700)	(8,213)	(501,725)
Net book amount	–	26,756	–	26,756
Year ended 31 December 2024				
Opening net book amount	–	26,756	–	26,756
Impairment	–	–	–	–
Closing net book amount	–	26,756	–	26,756
At 31 December 2024				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(68,700)	(8,213)	(501,725)
Net book amount	–	26,756	–	26,756

Impairment assessment of goodwill

Management reviews the business performance and monitor the goodwill on operating segment basis, which includes the consultancy services. The recoverable amount of goodwill allocated to its relevant CGU attributable to the segment of consultancy services has been determined based on a value-in-use calculation. It is calculated using discounted 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 terminal growth rates stated below.

17. INTANGIBLE ASSETS (Continued)

Impairment assessment of goodwill (Continued)

The key assumptions including compound annual growth rate, pre-tax discount rate and terminal growth rate used in the value-in-use calculations in 2025 and 2024 are as follows:

Consultancy services

	Year ended 31 December	
	2025	2024
Compound annual growth rate	16%	-9%
Pre-tax discount rate	14%	14%
Terminal growth rate	2%	2%

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

The compound annual growth rate was based on management's approved five-year financial budgets. The compound 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 relating to the CGU. The terminal growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates.

As at 31 December 2025 and 2024, the recoverable amount of the CGU related to consultancy services had been determined based on value-in-use calculation, which was 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. The management of the Group believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount to exceed the recoverable amount.

18. LEASES

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

	2025 HK\$'000	2024 HK\$'000
Right-of-use assets		
Properties leases	3,553	1,460
Lease liabilities		
Current	1,510	1,295
Non-current	2,056	168
	3,566	1,463

For the year ended 31 December 2025, additions to the right-of-use assets were approximately HK\$541,000 (2024: HK\$109,000).

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

	Note	Year ended 31 December	
		2025 HK\$'000	2024 HK\$'000
Depreciation of right-of-use assets			
Properties leases		1,739	1,843
Interest expenses (included in finance costs)	12	105	172
Expenses related to short-term leases		1,852	3,191

For the year ended 31 December 2025, the total cash outflow for leases were approximately HK\$3,684,000 (2024: HK\$5,274,000).

18. LEASES (Continued)

(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/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial asset

	2025 HK\$'000	2024 HK\$'000
Listed equity investment in the PRC – non-current (<i>Note</i>)	7,097	5,355

Note:

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.

As at 31 December 2025 and 2024, 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 37 to the consolidated financial statements.

19. FINANCIAL ASSET/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Financial liabilities

	2025 HK\$'000	2024 HK\$'000
Buy-back options		
– non-current (<i>Note</i>)	–	4,615
– current (<i>Note</i>)	6,129	451
	6,129	5,066

Note:

The Group has disposed of certain equity interest of Petro-king Energy in prior years of which the Group has granted certain buy-back option to the relevant purchaser, such that the relevant purchaser have the right to request the Group to buy back the equity interest in Petro-king Energy held by the purchaser at the repurchase price in cash, based on an agreed formula and subject to the terms and conditions of the equity transfer agreement. The buy-back option would be classified as financial liabilities at FVTPL.

The fair value is within the level 3 of the fair value hierarchy. Details are set out in Note 37 to the consolidated financial statements.

20. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Assembling materials and consumables	17,047	17,878
Goods in transit	3,917	–
Finished goods	–	121
Inventories	20,964	17,999
Less: Inventories write-down (<i>Note</i>)	(9,450)	(9,593)
Inventories – net	11,514	8,406

For the year ended 31 December 2025, the cost of inventories recognised as expense and included in “material costs” amounted to approximately HK\$47,458,000 (2024: HK\$41,390,000).

Note:

For the year ended 31 December 2025, reversal of inventories write-down amounted to approximately HK\$143,000 (2024: HK\$1,817,000) had been included in “Reversal of write-down of inventories to net realisable value”.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2025 HK\$'000	2024 HK\$'000
Trade receivables	145,182	206,555
Less: provision for impairment of trade receivables	(3,709)	(4,907)
Trade receivables – net	141,473	201,648

As at 31 December 2025, bank borrowings were secured by the trade receivables of a subsidiary of the Company of approximately HK\$78,652,000 (2024: HK\$71,863,000) (Note 25(a)(ii)).

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

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

	2025 HK\$'000	2024 HK\$'000
Up to 3 months	72,140	160,362
3 to 6 months	22,462	38,582
6 to 12 months	48,140	2,545
Over 12 months	2,440	5,066
Trade receivables – gross	145,182	206,555

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

(a) Trade receivables (Continued)

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

	2025 HK\$'000	2024 HK\$'000
At 1 January	4,907	16,401
Provision for impairment loss	1,531	894
Reversal of provision	(2,816)	(12,059)
Exchange differences	87	(329)
At 31 December	3,709	4,907

For the year ended 31 December 2025, the net reversal of impairment on trade receivables had been included in "net reversal of impairment on financial assets" amounted to approximately HK\$1,285,000 (2024: HK\$11,165,000).

For the year ended 31 December 2025, management has not written off trade receivables from certain customers which have been previously fully provided (2024: Nil).

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 35(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:

	2025 HK\$'000	2024 HK\$'000
United States dollar ("US\$")	2,797	3,733
Chinese Renminbi ("RMB")	138,676	197,915
	141,473	201,648

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

(b) Other receivables, deposits and prepayments

	2025 HK\$'000	2024 HK\$'000
Other receivable, deposits and prepayments	85,336	86,004
Less: provision for impairment of other receivables	(33,833)	(33,724)
Other receivables, deposits and prepayments, net	51,503	52,280
Other receivables and deposits:		
Deposits and other receivables – third parties (Note)	19,590	17,261
Other receivables from related parties (Note 33(b))	28	129
Amounts due from non-controlling interests	–	303
Value-added tax recoverable	19,844	22,265
Rental deposits	936	1,325
Cash advances to staff	384	908
	40,782	42,191
Less: Non-current portion		
Rental deposits	(417)	(22)
Non-current portion	(417)	(22)
Current portion	40,365	42,169
Prepayments:		
Prepayments for materials	10,721	10,089
Current portion	10,721	10,089

Note:

Included in the balance of approximately HK\$4,163,000 (2024: HK\$6,392,000) represented a loan granted to an independent third-party bearing interest at fixed rate of 7% (2024: 7%) per annum and repayable within 1 year (2024: 1 year).

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

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

For the year ended 31 December 2025, the Group applied the expected credit loss model and no provision for impairment loss (2024: Nil) was recognised on other receivables for the year.

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

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in Note 35(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:

	2025 HK\$'000	2024 HK\$'000
RMB	25,943	29,284
HK\$	145	707
US\$	14,694	12,200
	40,782	42,191

22. CONTRACT ASSETS/(LIABILITIES)

	2025 HK\$'000	2024 HK\$'000
Contract assets	168,189	110,780
Less: provision for impairment of contract assets	(1,964)	(698)
Contract assets, net	166,225	110,082
Contract liabilities	(493)	(1,554)

For the year ended 31 December 2025, the Group applied the expected credit loss model and resulted in the net impairment loss on contract assets amounted to approximately HK\$1,231,000 (2024: net reversal of impairment of HK\$1,570,000), which had been included in "net (impairment loss)/reversal of impairment on contract assets".

Further details on the Group's credit policy and credit risk arising from contract assets are set out in Note 35(b)(ii) to the consolidated financial statements.

The contract assets are primarily related to the Group's rights to consideration for work completed and transferred to the customers 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.

	2025 HK\$'000	2024 HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	1,554	773

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2025 HK\$'000	2024 HK\$'000
Cash and cash equivalents:		
Cash at bank	44,541	8,847
Short-term deposits in bank	—	6,760
Cash on hand	—*	—*
	44,541	15,607
Restricted bank deposits	31,984	28,730
	76,525	44,337

* The balance represents an amount less than HK\$1,000

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

	2025 HK\$'000	2024 HK\$'000
RMB	74,173	36,892
US\$	1,905	7,349
HK\$	446	95
Others	1	1
	76,525	44,337

As at 31 December 2025, the Group had cash at bank and on hand amounting to approximately HK\$74,110,000 (2024: HK\$36,830,000) which were denominated in RMB and US\$ (2024: RMB) 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.

As at 31 December 2025, certain bank accounts of the Group with aggregate balances of approximately RMB28,890,000 (equivalent to approximately HK\$31,984,000) (2024: RMB26,604,000 (equivalent to approximately HK\$28,730,000)) have been frozen by the Court (as defined thereafter) pending the outcome of the litigation as set out in Note 38. As of the date of this report, there has been no change of the aggregate balances of the relevant frozen bank accounts.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

(a) Trade payables

	2025 HK\$'000	2024 HK\$'000
Trade payables (<i>Note i</i>)	228,391	203,232

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

	2025 HK\$'000	2024 HK\$'000
Up to 3 months	67,288	87,226
3 to 6 months	47,847	9,529
6 to 12 months	39,107	23,619
Over 12 months	74,149	82,858
	228,391	203,232

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

	2025 HK\$'000	2024 HK\$'000
RMB	195,528	171,475
HK\$	32,819	27,832
US\$	44	3,925
	228,391	203,232

Note:

- (i) Included in the trade payable of approximately HK\$13,804,000 (2024: HK\$13,465,000) was in relation to a legal dispute in the PRC as disclosed in Note 38. In addition, pursuant to the technical service agreement entered into with the Plaintiff (as defined thereafter), additional accrued technical service fees of approximately HK\$16,210,000 (2024: HK\$15,812,000) (Note 24(b)) were provided. After consultation with the PRC legal advisor, the Directors considered the respective accrued technical service fees provided were adequate as at 31 December 2025. Details of which are set out in Note 38.

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

(b) Other payables and accruals

	2025 HK\$'000	2024 HK\$'000
Other payables – third parties	44,217	49,674
Other payables – staff related expenses	4,380	4,649
Accrued payroll and welfare	6,575	6,129
Accrued technical service fees (<i>Note 24(a)(i)</i>)	16,210	15,812
Government grant	–	4,536
Other payables – related parties (<i>Note 33(b)</i>)	20,179	12,624
Other tax and surcharge payables	4,594	8,121
Interest payables	250	2,630
	96,405	104,175

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

	2025 HK\$'000	2024 HK\$'000
RMB	76,851	82,508
HK\$	11,229	10,480
US\$	8,325	11,187
	96,405	104,175

25. BANK AND OTHER BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Non-current		
Bank borrowings (Note a)	21,865	–
Other borrowings (Note b)	15,734	40,797
	37,599	40,797
Current		
Bank borrowings (Note a)	60,913	63,151
Other borrowings (Note b)	40,984	43,238
	101,897	106,389
	139,496	147,186

(a) Bank borrowings

As at 31 December 2025, bank borrowings bore average borrowing rate of 5.2% (2024: 5.8%).

As at 31 December 2025 and 2024, the Group's bank borrowings were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Secured interest-bearing bank borrowings		
Repayable within one year or contain a repayment on demand clause	60,913	63,151
Repayable more than one year, but not exceeding two years	177	–
Repayable more than two years, but not exceeding five years	21,688	–
	82,778	63,151

25. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The carrying values of bank borrowings approximate to their fair values.

As at 31 December 2025, the Group's bank borrowings were all secured (2024: Same). The Group is in compliance with all banking facilities.

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

	2025 HK\$'000	2024 HK\$'000
Variable rates bank borrowings (Note (i))	22,042	–
Fixed rates bank borrowings (Note (ii))		
– 6 months or less	13,684	41,823
– Over 6 months	47,052	21,328
	82,778	63,151

(i) As at 31 December 2025, bank facilities of which approximately HK\$22,042,000 (2024: Nil), denominated in RMB, were granted by banks located in the PRC to subsidiaries of the Company. The Group has no undrawn banking facilities as at 31 December 2025 (2024: Nil). The facilities of approximately HK\$11,071,000 (2024: Nil) are secured by personal guarantee given by a director of the Company and approximately HK\$10,971,000 (2024: Nil) are secured by personal guarantee given by a director of the Company and secured by corporate guarantee given by a subsidiary of the Company.

(ii) As at 31 December 2025 and 2024, banking facilities of approximately HK\$60,736,000 (2024: HK\$63,151,000), denominated in RMB, were granted by a bank located in the PRC to a subsidiary of the Company. The Group has no undrawn banking facilities as at 31 December 2025 (2024: Nil). The facilities are secured by trade receivables of the Group of approximately HK\$78,652,000 (2024: approximately HK\$71,863,000) (Note 21(a)).

Subsequently in March 2026, the Group has obtained an additional loan facility with an amount of RMB36,000,000 (equivalent to approximately HK\$39,856,000) from the same bank maturing in March 2027. As of the date of approval of these consolidated financial statements, the Group has not drawn down this facility.

25. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

	2025 HK\$'000	2024 HK\$'000
Non-current		
Term loan <i>(Note (i))</i>	–	10,800
Instalment loans <i>(Note (ii))</i>	15,734	29,997
	15,734	40,797
Current		
Term loan <i>(Note (i))</i>	9,300	23,400
Instalment loans <i>(Note (ii))</i>	15,019	13,952
Employees' loan <i>(Note (iii))</i>	5,558	2,646
Independent lenders' loan <i>(Note (iv))</i>	1,107	3,240
Shareholder's loan <i>(Note (v))</i>	10,000	–
	40,984	43,238
	56,718	84,035

25. 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.

The remaining outstanding principal amount would be repaid by monthly instalments of HK\$1,900,000 each month from January 2026 to April 2026, with a final instalment of HK\$1,700,000 to be repaid on 31 May 2026.

- (ii) As at 31 December 2025, balances represented certain five-year instalment loans which are denominated in RMB with RMB10,417,000 (equivalent to approximately HK\$11,532,000) maturing in September 2027 and RMB17,361,000 (equivalent to approximately HK\$19,221,000) 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).

As at 31 December 2024, balances represented certain five-year instalment loans which are denominated in RMB with RMB15,262,000 (equivalent to approximately HK\$16,481,000) maturing in September 2027 and RMB25,436,000 (equivalent to approximately HK\$27,468,000) 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).

- (iii) Balances represented various employee loan agreements which are denominated in RMB with an aggregate amount of RMB5,020,000 (equivalent to approximately HK\$5,558,000) for a term ranged from May to July 2026. Such facilities are unsecured and bear interest at 15% per annum. Subsequently in January 2026, 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 RMB4,370,000 (equivalent to approximately HK\$4,838,000) provided to the Group to July 2027.

As at 31 December 2024, balances represented various employee loan agreements which are denominated in RMB with an aggregate amount of RMB2,450,000 (equivalent to approximately HK\$2,646,000) for a term ranged from April to June 2025. Such facilities are unsecured and bear interest at 15% per annum.

- (iv) Balances represented an independent lender loan agreement which is denominated in RMB with an amount of RMB1,000,000 (equivalent to approximately HK\$1,107,000) for a term to May 2026. Such facility is unsecured and bear interest at 15% per annum. Subsequently in January 2026, the Group entered into a supplemental agreement with the independent lender, pursuant to which the independent lender has extended the repayment date of loan facility with an amount of RMB1,000,000 (equivalent to approximately HK\$1,107,000) provided to the Group to July 2027.

As at 31 December 2024, balances represented various independent lenders' loan agreements which are denominated in RMB with an aggregate amount of RMB3,000,000 (equivalent to approximately HK\$3,240,000) for a term ranged from May to August 2025. Such facility are unsecured and bear interest at 15% per annum.

- (v) In September 2025, the Group entered into a loan agreement with a shareholder of the Company, pursuant to which the shareholder has granted loan facility with an amount of HK\$10,000,000 to the Group maturing in March 2026. Subsequently in February 2026, the Group entered into a supplemental agreement with the shareholder, pursuant to which the shareholder has extended the repayment date of shareholder's loan of HK\$10,000,000 to September 2027.

26. DEFERRED INCOME TAX

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\$319,892,000 (2024: HK\$320,388,000). Unrecognised tax losses of approximately HK\$122,857,000 (2024: HK\$121,622,000) have no expiry date for Hong Kong incorporated subsidiaries. The remaining tax losses will expire at various dates up to and including 2030 (2024: 2029) for PRC established subsidiaries except for Petro-king Technology, Petro-king (Chongqing) and Shenzhen Drilling, which are authorised as a High and New Technological Enterprise, will have the remaining tax losses expiring at various dates up to and including 2035 (2024: 2034).

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 2025 and 2024, 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.

27. SHARE CAPITAL

	Issued and fully paid	
	Number of shares '000	Amount HK\$'000
Ordinary shares with no par:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,726,674	2,001,073

28. OTHER RESERVES

	Translation reserve HK\$'000	Statutory reserve HK\$'000	Share- based payment reserve HK\$'000	Transactions with non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2025	37,839	23,867	5,361	22,325	89,392
Other comprehensive income					
Exchange differences on translation of foreign operations	5,536	–	–	–	5,536
Share of other comprehensive income of associates	(319)	–	–	–	(319)
Total comprehensive for the year	5,217	–	–	–	5,217
Recognition of share-based payment (Note 29)	–	–	359	–	359
Transfer of share-based payment reserve upon expiry of share options (Note 29)	–	–	(2,874)	–	(2,874)
Total transactions with owners, recognised directly in equity	–	–	(2,515)	–	(2,515)
Balance at 31 December 2025	43,056	23,867	2,846	22,325	92,094

28. OTHER RESERVES (Continued)

	Translation reserve HK\$'000	Statutory reserve HK\$'000	Share- based payment reserve HK\$'000	Transactions with non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2024	34,946	23,867	4,477	22,325	85,615
Other comprehensive income					
Exchange differences on translation of foreign operations	1,510	–	–	–	1,510
Release of translation reserve upon disposal of interests in associates	(41)	–	–	–	(41)
Release of translation reserve upon deregistration of a subsidiary	1,598	–	–	–	1,598
Share of other comprehensive income of associates	(174)	–	–	–	(174)
Total comprehensive for the year	2,893	–	–	–	2,893
Recognition of share-based payment (Note 29)	–	–	884	–	884
Balance at 31 December 2024	37,839	23,867	5,361	22,325	89,392

28. 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 PRC, 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) **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.

29. 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 and has been expired on 18 February 2023.

On 8 May 2025, the shareholders of the Company has conditionally adopted a new share option scheme (the "**New Share Option Scheme**") which has become unconditional on 23 May 2025. During the year, no share options has been granted under the New Share Option Scheme.

29. SHARE-BASED PAYMENTS (Continued)

Details of outstanding share options granted as at 31 December 2025 under the Share Option Scheme are as follows:

	Share options by grant date		
	16 August 2018	31 May 2019	10 January 2023
Number of ordinary shares issued upon exercise:			
– Directors	–	–	17,000,000
– Employees and senior managements	–	–	48,000,000
– Former company secretary	–	–	–
– Former director (<i>Note</i>)	–	–	–
Exercise price	HK\$0.326	HK\$0.1922	HK\$0.075
Contractual option term	Seven years	Seven years	Ten years
Expiry date	15 August 2025	30 May 2026	9 January 2033

For the share options granted on 10 January 2023, the vesting period of the share options ranges from one to three years. All these options are conditional in which only one-third and two-third are vested and exercisable after one and two years from the grant date respectively. The remaining options are vested and exercisable after three years from the grant date.

Apart from the share options granted on 10 January 2023, for all other share options granted, 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.

Note:

Regarding the share options granted to Mr. Huang Yu (deceased on 4 March 2023), the board of directors has allowed the personal representative(s) of Mr. Huang Yu to exercise his share options up to 31 December 2025 pursuant to the terms and conditions of the Share Option Scheme.

29. SHARE-BASED PAYMENTS (Continued)

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

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		
	16 August 2018	31 May 2019	10 January 2023
Range of fair value of options granted (HK\$)	0.143-0.163	0.080-0.095	0.037-0.049
Share price at the grant date (HK\$)	0.32	0.183	0.075
Expected volatility (<i>Note</i>)	49.45%	53.41%	78.50%
Expected option life	7 years	7 years	10 years
Dividend yield	Nil	Nil	Nil
Annual risk-free interest rate	2.08%	1.41%	3.28%

Note:

Expected volatility is assumed to be based on historical volatility of the Company.

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.

29. 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 2025 are as follows:

	Exercise price per share option	Number of share options			As at 31 December 2025
		As at 1 January 2025	Granted during the year	Forfeited, lapsed or expired during the year	
Grant date					
16 August 2018	0.326	5,000,000	–	(5,000,000)	–
31 May 2019	0.1922	17,000,000	–	(17,000,000)	–
10 January 2023	0.075	73,500,000	–	(8,500,000)	65,000,000
		95,500,000	–	(30,500,000)	65,000,000
Weighted average exercise price (HK\$)					
Grant date					
16 August 2018		0.326	–	0.326	N/A
31 May 2019		0.1922	–	0.1922	N/A
10 January 2023		0.075	–	0.075	0.075

29. 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 2024 are as follows:

	Exercise price per share option	Number of share options			As at 31 December 2024
		As at 1 January 2024	Granted during the year	Forfeited, lapsed or expired during the year	
Grant date					
16 August 2018	0.326	5,000,000	–	–	5,000,000
31 May 2019	0.1922	17,000,000	–	–	17,000,000
10 January 2023	0.075	74,000,000	–	(500,000)	73,500,000
		96,000,000	–	(500,000)	95,500,000

Weighted average exercise price (HK\$)

Grant date				
16 August 2018	0.326	–	–	0.326
31 May 2019	0.1922	–	–	0.1922
10 January 2023	0.075	–	0.075	0.075

No share options have been exercised by the option holders during the years ended 31 December 2025 and 2024.

During the year ended 31 December 2025, share-based payment expense of approximately HK\$359,000 (2024: HK\$884,000) for the Share Option Scheme was recognised in the consolidated statement of profit or loss and other comprehensive income (Note 8) after netting off the reversal of approximately HK\$18,000 (2024: HK\$2,000) arising from the revision of original estimate of the number of options that are expected to ultimately vest resulting from the forfeiture of share options prior to the vesting date due to failure by employee and former director (2024: former company secretary) to satisfy the service conditions.

During the year ended 31 December 2025, share options previously granted of approximately HK\$2,874,000 (2024: Nil) has been transferred from share-based payment reserve to accumulated losses upon the expiry of the share options.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position

	As at 31 December	
	2025 HK\$'000	2024 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	267,327	267,127
Current assets		
Cash and cash equivalents	38	392
Current liabilities		
Other payables and accruals	162,065	140,538
Borrowings	19,300	23,400
	181,365	163,938
Net current liabilities	(181,327)	(163,546)
Total assets less current liabilities	86,000	103,581
Non-current liabilities		
Borrowings	–	10,800
	–	10,800
Net assets	86,000	92,781
EQUITY		
Share capital	2,001,073	2,001,073
Other reserves	2,846	5,361
Accumulated losses	(1,917,919)	(1,913,653)
Total equity	86,000	92,781

The statement of financial position of the Company was approved by the board of directors on 25 March 2026 and was signed on its behalf.

Mr. Wang Jinlong
Director

Mr. Lin Jingyu
Director

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

Reserve movement of the Company

	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000
At 1 January 2024	4,477	(1,827,437)
Loss for the year	–	(86,216)
Recognition of share-based payment	884	–
At 31 December 2024	5,361	(1,913,653)
At 1 January 2025	5,361	(1,913,653)
Loss for the year	–	(7,140)
Recognition of share-based payment	359	–
Transfer of share-based payment reserve upon expiry of share options	(2,874)	2,874
At 31 December 2025	2,846	(1,917,919)

31. INTERESTS IN ASSOCIATES

	2025 HK\$'000	2024 HK\$'000
Share of net assets other than goodwill	98,247	84,273
Goodwill	106	103
	98,353	84,376
Amounts due from associates (Note 33(b))	28	129
Amounts due to associates (Note 33(b))	18,971	12,050

31. 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(廣東)股份有限公司 (Petro-king Energy Technology Co., Ltd.)(前稱:百勤能源科技(惠州)有限公司 (formerly known as Petro-king Energy Technology (Huizhou) Co., Ltd.)) ("Petro-king Energy")	Limited liability company	The PRC	28.5572% (2024: 27.6717%)	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.^)#	Limited liability company	The PRC	28.5572% (2024: 27.6717%)	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	28.5572% (2024: 27.6717%)	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	The PRC	28.5572% (2024: 27.6717%)	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

Wholly-owned subsidiaries of Petro-king Energy

The above associates are accounted for using equity method in the consolidated financial statements.

31. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2025, a shareholder of the associate, Petro-king Energy has exercised a buy-back option to request Petro-king Energy to buy back 3.1008% equity interest in Petro-king Energy (the “**Buy-back Transaction**”). Upon the completion of the Buy-back Transaction, the Group’s shareholding in Petro-king Energy increased from approximately 27.6717% to approximately 28.5572%.

For the year ended 31 December 2025, loss on deemed acquisition of interests in associates of approximately HK\$4,237,000 had been included in “Other gains and losses, net” in Note 11 accordingly.

During the year ended 31 December 2024, the Group has disposed of 0.7752% equity interest of Petro-king Energy to an independent third party at consideration of RMB5,000,000. Pursuant to the equity transfer agreement, the Group granted a buy-back option to the relevant purchaser, such that the purchaser has the right to request the Group to buy back such 0.7752% equity interest in Petro-king Energy in cash, at the repurchase price based on an agreed formula and subject to the terms and conditions of the equity transfer agreement.

For the year ended 31 December 2024, gain on disposals of interests in associates of approximately HK\$2,184,000 had been included in “Other gains and losses, net” in Note 11 accordingly.

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

	2025 HK\$'000	2024 HK\$'000
As at 31 December		
Current assets	378,151	290,819
Non-current assets	211,444	208,596
Current liabilities	(231,882)	(177,745)
Non-current liabilities	(13,676)	(17,122)
Net assets	344,037	304,548
Group’s share of net assets of associates	98,247	84,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. INTERESTS IN ASSOCIATES (Continued)

	2025 HK\$'000	2024 HK\$'000
Revenue	373,706	174,416
Expenses	(323,875)	(199,117)
Profit/(loss) for the year	49,831	(24,701)
Other comprehensive income	1,184	627
Total comprehensive income	51,015	(24,074)
Group's share of results of associates	15,776	(6,999)

32. 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:

	2025 HK\$'000	2024 HK\$'000
Net book amount (<i>Note 16</i>)	504	134
Loss on disposals of property, plant and equipment (<i>Note 11</i>)	(491)	(105)
Proceeds from disposal of property, plant and equipment	13	29

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Non-cash investing and financing activities

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

- Addition of right-of-use assets of approximately HK\$541,000 (2024: HK\$109,000) and lease modification of right-of-use assets of approximately HK\$3,271,000 (2024: HK\$317,000) during the year ended 31 December 2025 (Note 18).

(c) Net debt reconciliation

	2025 HK\$'000	2024 HK\$'000
Cash and cash equivalents (Note 23)	44,541	15,607
Restricted bank deposits (Note 23)	31,984	28,730
Other payables – related parties (Note 24(b))	(20,179)	(12,624)
Bank and other borrowings (Note 25)	(139,496)	(147,186)
Lease liabilities (Note 18(a))	(3,566)	(1,463)
	(86,716)	(116,936)

32. 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 2025 and 2024 are as follows:

	Other assets		Liabilities from financing activities				Total
	Cash and cash equivalents HK\$'000	Restricted bank deposits HK\$'000	Other payables – related parties HK\$'000	Lease liabilities HK\$'000	Bank and other borrowings – bank borrowings HK\$'000	Bank and other borrowings – other borrowings HK\$'000	
As at 1 January 2024	26,294	5,315	(16,442)	(2,892)	(60,615)	(126,446)	(174,786)
Financing cash flows, net	–	–	3,528	1,911	(3,968)	41,267	42,738
Operating cash flows	–	23,919	–	–	–	–	23,919
Decrease in cash and cash equivalents	(8,020)	–	–	–	–	–	(8,020)
Foreign exchange adjustments	(2,667)	(504)	290	36	1,715	1,262	132
Interest paid under operating cash flows	–	–	–	172	3,506	6,610	10,288
Other non-cash movements (Note)	–	–	–	(690)	(3,789)	(6,728)	(11,207)
As at 31 December 2024	15,607	28,730	(12,624)	(1,463)	(63,151)	(84,035)	(116,936)
Financing cash flows, net			(7,142)	1,727	(17,672)	28,330	5,243
Operating cash flows		2,493					2,493
Increase in cash and cash equivalents	26,642						26,642
Foreign exchange adjustments	2,292	761	(413)	(20)	(1,924)	(1,030)	(334)
Interest paid under operating cash flows				105	8,729	4,926	13,760
Other non-cash movements (Note)				(3,915)	(8,760)	(4,909)	(17,584)
As at 31 December 2025	44,541	31,984	(20,179)	(3,566)	(82,778)	(56,718)	(86,716)

Note:

For the year ended 31 December 2025 and 2024, other non-cash movements include addition of lease liabilities, lease modification, accrued interest expenses of lease liabilities and bank and other borrowings.

33. 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 2025 and 2024, and balances arising from related party transactions as at 31 December 2025 and 2024.

Name	Relationships
Mr. Wang Jinlong	Shareholder and director
Mr. Lin Jingyu	Director and chief executive officer
Mr. Zhao Jindong	Director
Ms. Zhou Sisi	Director and close family member of Mr. Wang Jinlong
Mr. Leung Lin Cheong	Director
Mr. Xin Junhe	Director
Mr. Zhang Dawei	Director
Mr. Chan Kwok Yuen Elvis	Senior management
Mr. Wang Xingkai	Close family member of Mr. Wang Jinlong
Petro-king Energy	Associate of the Company
Star Petrotech	Wholly-owned subsidiary of Petro-king Energy

(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.

	2025 HK\$'000	2024 HK\$'000
Salaries and other short-term employee benefits	5,282	5,285
Share-based payments	134	269
	5,416	5,554

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	Notes	2025 HK\$'000	2024 HK\$'000
Amounts due from related parties (Note 21(b))			
– Associates	(i)	28	129
Amounts due to related parties (Note 24(b))			
– Associates	(ii)	(18,971)	(12,050)
– Directors	(iii)	(1,208)	(562)
– Senior management	(iii)	–	(12)
		(20,179)	(12,624)

Notes:

- (i) The balances are unsecured, interest-free and repayable on demand.
- (ii) The balances of approximately HK\$18,189,000 (2024: approximately HK\$12,050,000) are in trade nature with a credit term of 60 days; and the balances of approximately HK\$782,000 (2024: Nil) is payable to the associates, which are unsecured, interest-free and repayable on demand.
- (iii) The balances mainly comprise of expenses paid on behalf by certain directors and senior management. The balances are unsecured, interest-free and repayable on demand.

33. 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 2025 and 2024, an indirectly wholly-owned subsidiary of the Company, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.*) (Note 40) ("**Petro-king Shenzhen**") has provided corporate guarantees for certain banking facilities granted to Petro-king Energy which were secured by properties held by Petro-king Energy. As at 31 December 2025, the Group's maximum exposure of the principal amount under the corporate guarantee for banking facilities granted to Petro-king Energy limited to the Petro-king Shenzhen's proportion was approximately RMB15,135,000 (equivalent to approximately HK\$16,756,000) (2024: approximately RMB14,666,000) of which approximately RMB15,135,000 (equivalent to approximately HK\$16,756,000) (2024: approximately RMB14,666,000) was utilised by Petro-king Energy. For the year ended 31 December 2025, the financial guarantee income was approximately HK\$147,000 (2024: approximately HK\$131,000) which is charged at 1.0% per annum of the Petro-king Shenzhen's proportion of the utilised amount of banking facilities by Petro-king Energy. 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 Energy were fully covered by the secured properties.
- (ii) For the year ended 31 December 2025, the Group had made sales of approximately HK\$97,000 (2024: HK\$215,000) to associates and purchases of oilfield project tools of approximately HK\$5,157,000 (2024: HK\$5,987,000) from associates.

The commission income of approximately HK\$1,511,000 from associates was derived from facilitating the sales of well completion tools by the associates to an independent third party. The gross sales proceeds amounting to approximately HK\$14,467,000 are considered as cash collected and receivable on behalf of the associates as an agent, with gross purchases paid on behalf of the third party amounting to approximately HK\$12,956,000. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of commission fee. The related commission income has been recorded by the Group on net basis.

- (iii) During the year, the Group entered into a new lease agreement for the use of a leasing premise with associates for 3 years. The Group has recognised an addition of right-of-use assets and lease liabilities of approximately HK\$146,000.

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

* For identification purpose only

34. 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 "restricted 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 2025 and 2024 were as follows:

	2025 HK\$'000	2024 HK\$'000
Bank and other borrowings (Note 25)	139,496	147,186
Lease liabilities (Note 18)	3,566	1,463
Less:		
Cash and cash equivalents (Note 23)	(44,541)	(15,607)
Restricted bank deposits (Note 23)	(31,984)	(28,730)
Net debt	66,537	104,312
Total equity	208,708	180,263
Total capital	275,245	284,575
Gearing ratio	24.2%	36.7%

35. 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 2025, 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\$517,000 lower/higher (2024: HK\$432,000 lower/higher) as a result of foreign exchange gains or losses on translation of US\$ denominated net financial assets.

At 31 December 2025, 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\$4,805,000 lower/higher (2024: HK\$5,197,000 lower/higher) as a result of foreign exchange gains or losses on translation of RMB denominated net financial assets.

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(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. The Group considers the fluctuation in interest rates on bank borrowings to be minimal, and the impact on the Group's profit for the year and accumulated losses to be insignificant.

(b) Credit risk

Credit risk arises from cash and cash equivalents, 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, 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 as disclosed in Note 21(a).

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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.

(ii) Impairment of financial assets

The Group has five types of assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- other receivables and deposits;
- cash and cash equivalents; and
- restricted bank deposits.

Cash and cash equivalents and restricted 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.

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

Before accepting any new customers, the Group entities apply an internal credit assessment policy to assess the potential customer's credit quality. Management closely monitors the credit quality of the customers and considers that the customers to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults.

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 has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 70% (2024: 81%) and 23% (2024: 17%) of the total trade receivables and contract assets was due from the Group's largest customer and the second largest customer respectively.

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.

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.

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2025, the expected credit losses rate is determined as follows:

Trade receivables as at 31 December 2025	Current HK\$'000	Up to 3 months past due HK\$'000	3 to 6 months past due HK\$'000	6 to 12 months past due HK\$'000	Over 12 months past due HK\$'000	Total HK\$'000
Individually assessed:						
Gross carrying amount						
– trade receivables	–	–	–	40	1,079	1,119
Loss allowance	–	–	–	(25)	(1,079)	(1,104)
	–	–	–	15	–	15
Collectively assessed:						
Excepted loss rates	1%	5%	–	14%	28%	
Gross carrying amount						
– trade receivables	132,609	6,013	–	4,119	1,322	144,063
Loss allowance	(1,346)	(326)	–	(562)	(371)	(2,605)
	131,263	5,687	–	3,557	951	141,458
Net carrying amount						
– trade receivables	131,263	5,687	–	3,572	951	141,473

As at 31 December 2025, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2025

	Total HK\$'000
Expected loss rates	1%
Gross carrying amount – contract assets	168,189
Loss allowance	(1,964)
Net carrying amount – contract assets	166,225

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

For the year ended 31 December 2024, the expected credit losses rate is determined as follows:

Trade receivables as at 31 December 2024	Current HK\$'000	Up to 3 months past due HK\$'000	3 to 6 months past due HK\$'000	6 to 12 months past due HK\$'000	Over 12 months past due HK\$'000	Total HK\$'000
Individually assessed:						
Gross carrying amount						
– trade receivables	2,772	–	–	408	4,234	7,414
Loss allowance	(297)	–	–	(300)	(2,509)	(3,106)
	2,475	–	–	108	1,725	4,308
Collectively assessed:						
Excepted loss rates	1%	6%	–	15%	–	
Gross carrying amount						
– trade receivables	195,579	594	–	2,968	–	199,141
Loss allowance	(1,309)	(34)	–	(458)	–	(1,801)
	194,270	560	–	2,510	–	197,340
Net carrying amount						
– trade receivables	196,745	560	–	2,618	1,725	201,648

As at 31 December 2024, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2024

	Total HK\$'000
Expected loss rates	1%
Gross carrying amount – contract assets	110,780
Loss allowance	(698)
Net carrying amount – contract assets	110,082

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

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.

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 2025, the Group's allowance for impairment of other receivables approximate to HK\$33,833,000 (2024: HK\$33,724,000) in view of no significant increase in the credit risk during the year.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of receiving additional cash.

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The Group had total current bank and other borrowings amounted to approximately HK\$101,897,000 while the Group only had cash and cash equivalents of approximately HK\$44,541,000 as at 31 December 2025.

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 the Forecast. In preparing the Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and also have taken account of the following plans and measures summarised in Note 2(b)(ii) to the consolidated financial statements.

35. 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 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 2025					
Trade payables	228,391	–	–	–	228,391
Other payables and accruals	91,811	–	–	–	91,811
Financial liabilities at FVTPL	6,129	–	–	–	6,129
Bank and other borrowings and interest payments	104,926	17,271	22,089	–	144,286
Lease liabilities and interest payments	1,635	1,355	773	–	3,763
	432,892	18,626	22,862	–	474,380
At 31 December 2024					
Trade payables	203,232	–	–	–	203,232
Other payables and accruals	91,518	–	–	–	91,518
Financial liabilities at FVTPL	451	4,615	–	–	5,066
Bank and other borrowings and interest payments	110,460	27,272	16,038	–	153,770
Lease liabilities and interest payments	1,332	168	–	–	1,500
	406,993	32,055	16,038	–	455,086

35. 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 25(a). 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 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 2025	106,781	17,271	22,089	–	146,141
At 31 December 2024	111,371	27,272	16,038	–	154,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2025 HK\$'000	2024 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade receivables (Note 21(a))	141,473	201,648
Other receivables and deposits	20,938	19,926
Cash and cash equivalents (Note 23)	44,541	15,607
Restricted bank deposits (Note 23)	31,984	28,730
Financial asset at fair value		
Financial asset at FVTPL (Note 19(a))	7,097	5,355
Total	246,033	271,266
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade payables (Note 24(a))	228,391	203,232
Other payables and accruals	91,811	91,518
Bank and other borrowings (Note 25)	139,496	147,186
Lease liabilities (Note 18)	3,566	1,463
Financial liabilities at fair value		
Financial liabilities at FVTPL (Note 19(b))	6,129	5,066
Total	469,393	448,465

37. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value at 31 December 2025 and 2024, 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	
	2025	2024
	HK\$'000	HK\$'000
Asset		
Financial asset at FVTPL		
– listed equity investment (<i>Note 19(a)</i>)	7,097	5,355
Liability		
Financial liabilities at FVTPL		
– buy-back options (<i>Note 19(b)</i>)	6,129	5,066

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.

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.

37. FAIR VALUE ESTIMATION (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2025 and 2024.

(a) Assets

	2025 HK\$'000	2024 HK\$'000
At 1 January	5,355	8,493
Change in fair value	1,582	(3,005)
Exchange difference	160	(133)
At 31 December	7,097	5,355
Total gains/(loss) for the year included in profit or loss for the year (Note 11)	1,582	(3,005)

(b) Liabilities

	2025 HK\$'000	2024 HK\$'000
At 1 January	5,066	1,454
Addition	–	896
Change in fair value	922	2,807
Exchange difference	141	(91)
At 31 December	6,129	5,066
Total loss for the year included in profit or loss for the year (Note 11)	922	2,807

38. LITIGATION

In January 2024, an indirectly wholly-owned subsidiary of the Company (the “**Defendant**”) has been served with a writ of Summon (the “**Writ**”) issued by 深圳市南山區人民法院 (Shenzhen City Nanshan District People’s Court*) (the “**Court**”) dated on 3 January 2024. As stated in the statement of claims attached to the Writ, a service provider of the Defendant (the “**Plaintiff**”), claimed against the Defendant for technical service fees of approximately RMB28.9 million, together with any accrued interest, payable by the Defendant to the Plaintiff (the “**Claim**”).

On 11 June 2024, the Defendant received a civil ruling issued by the Court dated 31 May 2024 (the “**Ruling**”) in relation to the Claim. Pursuant to the Ruling: (i) the Defendant shall pay the technical service fees in the sum of approximately RMB12.6 million, together with any interest accrued thereon since 30 November 2023 to the Plaintiff (instead of the amount of approximately RMB28.9 million and any interest accrued as claimed by the Plaintiff); (ii) all other claims made by the Plaintiff against the Defendant have been rejected; and (iii) all counterclaims made by the Defendant against the Plaintiff have been rejected.

On 2 July 2024, the Defendant was informed by its PRC legal advisor that the Plaintiff has filed an appeal (the “**Appeal**”) against the Ruling with 深圳市中級人民法院 (Shenzhen Intermediate People’s Court*) (the “**Appeal Court**”).

On 26 May 2025, the Defendant had attended the Appeal hearing, but no ruling result has been issued by the Appeal Court. As at the date of this report, the Appeal Court has not yet issued the result of the Appeal.

As at 31 December 2025, certain bank accounts of the Group with aggregate balances of approximately RMB28.9 million (Note 23) have been frozen by the Court pending the outcome of the Appeal.

After consultation with the PRC legal advisor in relation to the current status of the legal proceedings, the Directors considered the respective accrued technical service fees provided were adequate as at 31 December 2025 as set out in note 24(a)(i).

Further details of the Claim and the Appeal were set out in the Company’s announcements dated 29 January 2024, 12 June 2024 and 2 July 2024.

* For identification purpose only

39. EVENT AFTER REPORTING PERIOD

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

- (a) On 19 January 2026, Petro-king Technology entered into a sale agreement (the “**Sale Agreement**”) with 烟台杰瑞石油装备技术有限公司 (Yantai Jereh Petroleum Equipment & Technologies Co., Ltd.*) (the “**Vendor**”) in relation to the disposal of the certain existing equipment of the Group, at a total consideration of RMB85,500,000, tax inclusive. On the same date, Petro-king Technology also entered into a purchase agreement (the “**Purchase Agreement**”) with the Vendor in relation to the acquisition of certain new equipment of the Group, at a total consideration of RMB124,000,000, tax inclusive. Separately, the parties entered into an offset agreement on 19 January 2026, it was agreed that the total consideration receivable by Petro-king Technology from the Vendor arising from the disposal of the existing equipment would be offset on a dollar-for-dollar basis against the total consideration payable by Petro-king Technology to the Vendor arising from the acquisition of the new equipment. Petro-king Technology will pay the net amount of RMB38,500,000 to the Vendor by stages. The sale and purchase of such equipment constituted a very substantial acquisition and a very substantial disposal of the Company. Further details of this transaction were set out in the Company’s announcement dated 19 January 2026 and the Company’s circular dated 16 February 2026.
- (b) On 27 January 2026, Petro-king Technology entered into a purchase agreement with 三一能源装备有限公司 (Sany Energy Equipment Co., Ltd.*) (“**Sany Energy**”), pursuant to which Petro-king Technology agreed to purchase, and Sany Energy agreed to sell, certain equipment at a consideration of RMB8,050,000, tax inclusive. Further details of this transaction were set out in the Company’s announcement dated 27 January 2026.
- (c) On 13 February 2026, to re-finance certain existing bank loans of Petro-king Energy, a new bank revolving loan facility in the principal amount of RMB63,000,000 (the “**New Loan Facility**”) were entered into between Petro-king Energy, an associated company of the Company, and 惠州农村商业银行股份有限公司 (Huizhou Rural Commercial Bank#) (the “**HRC Bank**”). On 13 February 2026, Petro-king Shenzhen, an indirect wholly-owned subsidiary of the Company, entered into a new guarantee agreement with the HRC Bank for the purpose of providing the new guarantee for the New Loan Facility, pursuant to which the guarantee amount of Petro-king Shenzhen would be limited to its proportion of equity interest in Petro-king Energy. Further details of this guarantee are set out in the Company’s announcement dated 13 February 2026.

* For identification purpose only

40. SUBSIDIARIES

As at 31 December 2025 and 2024, 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		Principal activities and place of operation
			Directly	Indirectly	
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 (Shenzhen Petro-king Drilling Technology Co., Ltd. [#])	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 (Petro-king (Chongqing) Oil & Gas Engineering Technology Limited [#])	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) (as defined in Note 33(c))	The PRC, Limited liability company 8 November 2013	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC

[#] For identification purpose only