

# 2023 Annual Report

PETRO-KING OILFIELD SERVICES LIMITED  
*(Incorporated in the British Virgin Islands with limited liability)*

Stock Code: 2178

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*Petro-king*  
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# FINANCIAL HIGHLIGHT

## Operating Figures

For the year ended 31 December	2023 HK\$'000	2022 HK\$'000	Change	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	314,840	313,771	0.3%	163,967	307,993	478,245
Operating (loss)/profit	(68,531)	(24,322)	181.8%	(80,523)	1,868	(60,717)
Loss for the year from continuing operations	(74,737)	(27,540)	171.4%	(94,629)	(20,978)	(87,378)
Profit/(loss) for the year from discontinued operations	-	-	N/A	17,897	(57,751)	-
Loss for the year	(74,737)	(27,540)	171.4%	(76,732)	(78,729)	(87,378)
Loss per share						
Basic (HK\$ cents)	(4.3)	(1.7)	152.9%	(4.7)	(4.2)	(5.0)
Diluted (HK\$ cents)	(4.3)	(1.7)	152.9%	(4.7)	(4.2)	(5.0)

## Consolidated Balance Sheet

As at 31 December	2023 HK\$'000	2022 HK\$'000	Change	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	712,011	823,412	-13.5%	716,490	1,018,689	966,588
Non-current assets	256,384	370,423	-30.8%	321,065	493,653	513,472
Current assets	455,627	452,989	0.6%	395,425	525,036	453,116
Total liabilities	520,856	561,677	-7.3%	425,811	664,274	560,873
Non-current liabilities	87,733	134,399	-34.7%	70,474	105,746	35,866
Current liabilities	433,123	427,278	1.4%	355,337	558,528	525,007
Net current assets/(liabilities)	22,504	25,711	-12.5%	40,088	(33,492)	(71,891)
Net assets	191,155	261,735	-27.0%	290,679	354,416	405,715

## Financial Indicators

For the year ended 31 December	2023	2022	2021	2020	2019
Trade receivables turnover days (Note 1)	247	236	451	226	171
Inventory turnover days (Note 1)	129	96	667	197	229
Trade payables turnover days (Note 1)	445	377	954	265	260
Current ratio	1.05	1.06	1.11	0.94	0.86
Gearing ratio (Note 2)	45.3%	42.2%	35.5%	47.3%	42.3%
Return on Equity (Note 3)	-33.0%	-10.0%	-23.8%	-20.7%	-20.1%

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 loss for the year over the average of the total equity at the beginning and end of the financial year.

# CORPORATE PROFILE AND STRUCTURE

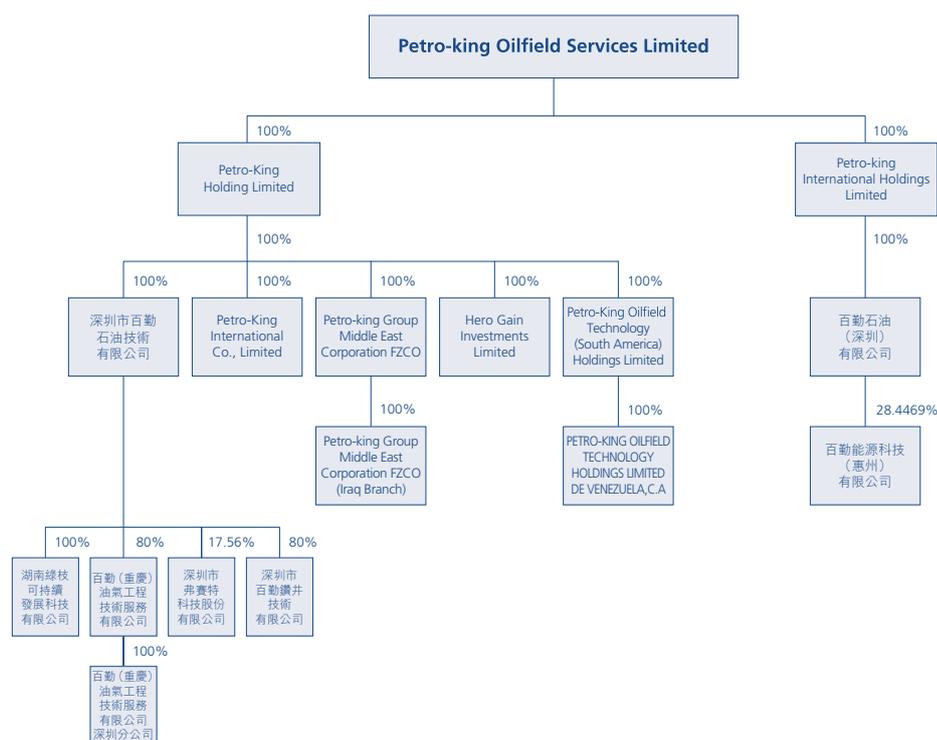
## CORPORATE PROFILE

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 the PRC, the Middle East, Russia, Australia, Canada, South America, Singapore, Indonesia, Taiwan, Kazakhstan, Kyrgyzstan, Turkmenistan, the Republic of Trinidad and Tobago, the United States of America (The “**USA**”), Egypt, Nigeria, and the Gabonese Republic.

## CORPORATE STRUCTURE AS AT 31 DECEMBER 2023



# 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 2023 (the “**Year**” or “**2023**”).

## OVERVIEW

The Group’s revenue and loss for the Year were approximately HK\$314.8 million (2022: HK\$313.8 million) and HK\$74.7 million (2022: HK\$27.5 million), respectively. Basic loss per share attributable to owners of the Company for the Year was HK4.3 cents (2022: HK1.7 cents). The Board has resolved not to recommend the payment of any final dividend for the Year (2022: Nil).

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

As a result of the stable international oil price in 2023 and the national policy of the People's Republic of China (the "PRC") to encourage shale gas consumption for environmental protection, there was stable market demands for production enhancement services offered by the Group in relation to shale gas field projects in the PRC. During the Year, the Group's revenue increased by approximately 0.3% from approximately HK\$313.8 million in 2022 to approximately HK\$314.8 million in 2023.

### OUTLOOK

During the Year, the Brent crude oil price remained stable and stayed at above US\$70/barrel throughout the Year. With the international oil price remaining stable and the PRC's national policy to encourage shale gas consumption for environmental protection, the Group believes that the market demands for production enhancement services and other oilfield services offered by the Group in the PRC will remain stable in 2024. However, we expect that there will be significant decrease in the scale of the Group's consultancy services provided in the Middle East as a supervisory service contract will be expired in the first quarter of 2024 and will not be renewed by the customer. Despite of this, the Group believes that the Group's overall operations will not be materially affected.

Looking ahead to 2024, we will continue to put efforts into the marketing and promotion of the Group's oilfield services and technologies so as to increase our market penetration. In addition, the Group will continue to explore other investment opportunities that have earning potentials to expand its existing operations and to diversify its business, including but not limited to underground thermal energy projects. With the committed efforts of our staff and management, we are cautiously optimistic on the prospects of the Group.

### APPRECIATION

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

**Wang Jinlong**

*Chairman*

Hong Kong, 27 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group's revenue increased by approximately 0.3% from approximately HK\$313.8 million in 2022 to approximately HK\$314.8 million in 2023.

## GEOGRAPHICAL MARKET ANALYSIS

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

	<b>2023</b> <i>(HK\$ million)</i>	2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	<b>Approximate percentage of total revenue in 2023</b> <i>(%)</i>	Approximate percentage of total revenue in 2022 (%)
China market	<b>266.3</b>	278.6	-4.4%	<b>84.6%</b>	88.8%
Overseas market	<b>48.5</b>	35.2	37.8%	<b>15.4%</b>	11.2%
Total	<b>314.8</b>	313.8	0.3%	<b>100%</b>	100%

The Group's revenue from the China market decreased by approximately HK\$12.3 million or approximately 4.4% to approximately HK\$266.3 million in 2023 from approximately HK\$278.6 million in 2022. The decrease in revenue from the China market was mainly due to the decrease in the sales of well completion products and the decrease in the provision of drilling services to customers.

The Group's revenue from the overseas market increased by approximately HK\$13.3 million or approximately 37.8% to approximately HK\$48.5 million in 2023 from approximately HK\$35.2 million in 2022. The increase in revenue from the overseas market was mainly due to the increase in supervisory services provided in the Middle East.

## REVENUE FROM THE CHINA MARKET

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

	<b>2023</b> <i>(HK\$ million)</i>	2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	<b>Approximate percentage of total revenue from the China market in 2023</b> (%)	Approximate percentage of total revenue from the China market in 2022 (%)
Northern China	<b>67.7</b>	62.1	9.0%	<b>25.4%</b>	22.3%
Southwestern China	<b>172.4</b>	174.6	-1.3%	<b>64.7%</b>	62.7%
Northwestern China	<b>25.7</b>	36.5	-29.6%	<b>9.7%</b>	13.1%
Other regions in China	<b>0.5</b>	5.4	-90.7%	<b>0.2%</b>	1.9%
<b>Total</b>	<b>266.3</b>	278.6	-4.4%	<b>100%</b>	100%

In 2023, the Group's revenue from Northern China amounted to approximately HK\$67.7 million, which increased by approximately HK\$5.6 million or approximately 9.0% from approximately HK\$62.1 million in 2022. The increase was mainly due to the increase in production enhancement services provided in Northern China, partly offset by the decrease in the sales of well completion products and the decrease in drilling services provided in this region.

The revenue from Southwestern China amounted to approximately HK\$172.4 million in 2023, which slightly decreased by approximately HK\$2.2 million or approximately 1.3% from approximately HK\$174.6 million in 2022. The decrease was mainly due to the decrease in production enhancement services provided in this region.

The revenue from Northwestern China amounted to approximately HK\$25.7 million, which decreased by approximately HK\$10.8 million or approximately 29.6% from approximately HK\$36.5 million in 2022. The decrease was mainly due to the decrease in the production enhancement services and drilling services provided in this region.

The revenue from other regions in China amounted to approximately HK\$0.5 million in 2023, which decreased by approximately HK\$4.9 million or approximately 90.7% from approximately HK\$5.4 million in 2022. The decrease was mainly due to the decrease in the sales of well completion products and the decrease in drilling services provided to other regions in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE FROM THE OVERSEAS MARKET

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

	<b>2023</b> <i>(HK\$ million)</i>	2022 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	<b>Approximate percentage of total revenue from the overseas market in 2023</b> <i>(%)</i>	Approximate percentage of total revenue from the overseas market in 2022 <i>(%)</i>
The Middle East	<b>47.8</b>	30.6	56.2%	<b>98.6%</b>	86.9%
Others	<b>0.7</b>	4.6	-84.8%	<b>1.4%</b>	13.1%
<b>Total</b>	<b>48.5</b>	35.2	37.8%	<b>100%</b>	100%

The revenue from the Middle East amounted to approximately HK\$47.8 million in 2023, which increased by approximately HK\$17.2 million or approximately 56.2% from approximately HK\$30.6 million in 2022. The increase was mainly due to the increase in supervisory services provided in the Middle East.

The revenue from other overseas regions amounted to approximately HK\$0.7 million in 2023, which decreased by approximately HK\$3.9 million or approximately 84.8% from approximately HK\$4.6 million in 2022. The decrease was mainly due to the decrease in supervisory services and integrated project management services provided in such regions.

### OPERATING SEGMENT ANALYSIS

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

	<b>2023</b> <i>(HK\$ million)</i>	2022 <i>(HK\$ million)</i>	Approximate percentage change <i>(%)</i>	<b>Approximate percentage of total revenue in 2023</b> <i>(%)</i>	Approximate percentage of total revenue in 2022 <i>(%)</i>
Oilfield project tools and services	<b>262.9</b>	277.8	-5.4%	<b>83.5%</b>	88.5%
Consultancy services	<b>51.9</b>	36.0	44.2%	<b>16.5%</b>	11.5%
<b>Total</b>	<b>314.8</b>	313.8	0.3%	<b>100%</b>	100%

In 2023, the Group's revenue from oilfield project tools and services amounted to approximately HK\$262.9 million, which decreased by approximately HK\$14.9 million or approximately 5.4% from approximately HK\$277.8 million in 2022. The decrease was mainly due to the decrease in the sales of well completion tools and the decrease in the drilling services provided in the China market.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from consultancy services amounted to approximately HK\$51.9 million in 2023, which increased by approximately HK\$15.9 million or approximately 44.2%, from approximately HK\$36.0 million in 2022. The increase was mainly due to the increase in supervisory services provided in the overseas market.

### OILFIELD PROJECT TOOLS AND SERVICES

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

	<b>2023</b> <i>(HK\$ million)</i>	2022 <i>(HK\$ million)</i>	Approximate percentage change (%)	<b>Approximate percentage of total revenue from oilfield project tools and services in 2023</b> (%)	Approximate percentage of total revenue from oilfield project tools and services in 2022 (%)
Production enhancement	<b>242.4</b>	243.4	-0.4%	<b>92.2%</b>	87.7%
Drilling	<b>20.4</b>	25.1	-18.7%	<b>7.8%</b>	9.0%
Well completion	<b>0.1</b>	9.3	-98.9%	<b>0.0%</b>	3.3%
<b>Total</b>	<b>262.9</b>	277.8	-5.4%	<b>100%</b>	100%

#### Production Enhancement

In 2023, the Group's revenue from production enhancement services amounted to approximately HK\$242.4 million, which decreased by approximately HK\$1.0 million or approximately 0.4% from approximately HK\$243.4 million in 2022. The decrease was mainly due to the decrease in production enhancement services provided in Northwestern China and 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\$20.4 million in 2023, which decreased by approximately HK\$4.7 million or approximately 18.7% from approximately HK\$25.1 million in 2022. The decrease was mainly due to the decrease in drilling services provided in Northern China, Northwestern China and other regions in China.

In 2023, the Group completed drilling services for 15 wells (2022: 14). The drilling services were mainly provided in Northern China and Northwestern China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Well Completion

In 2023, the Group's revenue from well completion amounted to approximately HK\$0.1 million, which decreased by approximately HK\$9.2 million or approximately 98.9% from approximately HK\$9.3 million in 2022. The decrease was mainly due to the decrease in the sales of well completion tools in the China market.

The revenue from well completion in 2023 was mainly derived from the China market.

### CUSTOMER ANALYSIS

Customer	2023 (HK\$ million)	2022 (HK\$ million)	Approximate percentage change (%)	Approximate percentage of total revenue in 2023 (%)	Approximate percentage of total revenue in 2022 (%)
Customer 1	166.9	217.3	-23.2%	53.0%	69.3%
Customer 2	66.8	48.1	38.9%	21.2%	15.3%
Customer 3	45.9	28.3	62.2%	14.6%	9.0%
Customer 4	17.6	–	N/A	5.6%	–
Customer 5	6.0	–	N/A	1.9%	–
Other customers	11.6	20.1	-42.3%	3.7%	6.4%
Total	314.8	313.8	0.3%	100%	100%

The revenue from customer 1 amounted to approximately HK\$166.9 million in 2023, which decreased by approximately HK\$50.4 million or approximately 23.2% from approximately HK\$217.3 million in 2022. The decrease was mainly due to the decrease in production enhancement services provided to this customer in Southwestern China and Northwestern China, the decrease in drilling services provided to this customer in Northern China and Northwestern China and the decrease in the sales of well completion products to this customer in Northern China. The revenue from customer 2 amounted to approximately HK\$66.8 million in 2023, which increased by approximately HK\$18.7 million or approximately 38.9% from approximately HK\$48.1 million in 2022. This increase was mainly due to the increase in production enhancement services provided to this customer in Northern China and the increase in drilling services provided to this customer in Northwestern China. The revenue from customer 3 amounted to approximately HK\$45.9 million in 2023, which increased by approximately HK\$17.6 million or approximately 62.2% from approximately HK\$28.3 million in 2022. Such increase was mainly attributable to the increase in supervisory services provided to this customer in the Middle East. The revenue from customer 4 amounted to approximately HK\$17.6 million in 2023 (2022: Nil), which was derived from production enhancement services provided to this customer in Southwestern China. The revenue from customer 5 amounted to approximately HK\$6.0 million in 2023 (2022: Nil), which was derived from production enhancement services provided to this customer in Southwestern China. The revenue from other customers amounted to approximately HK\$11.6 million in 2023, which dropped by approximately HK\$8.5 million or approximately 42.3% from approximately HK\$20.1 million in 2022. Such decrease in revenue mainly resulted from the decrease in production enhancement services provided to certain customers in Southwestern China and the decrease in integrated project management services provided to certain customers in other overseas region.

## FINANCIAL REVIEW

### Revenue

During the Year, the Group's revenue amounted to approximately HK\$314.8 million, which increased by approximately 0.3% as compared to that of approximately HK\$313.8 million in 2022, representing an increase of approximately HK\$1.0 million. The increase in revenue was mainly due to the increase in supervisory services provided in the Middle East, being partly offset by the decrease in the sales of well completion products and the decrease in drilling services provided in the China market.

### Material Costs

During the Year, the Group's material costs were approximately HK\$48.1 million, which decreased by approximately HK\$22.6 million or approximately 32.0% as compared with that of approximately HK\$70.7 million in 2022. Material costs represented approximately 15.3% of the revenue in 2023, which was lower than that of approximately 22.5% in 2022. The decrease in material costs as a percentage of revenue in 2023 was mainly resulted from the decrease in the sales of well completion products in 2023 and the use of less diesel in the Group's production enhancement services provided in 2023.

### Depreciation of Property, Plant and Equipment

During the Year, the depreciation of property, plant and equipment amounted to approximately HK\$34.6 million, which decreased by approximately HK\$0.7 million or approximately 2.0% as compared with that of approximately HK\$35.3 million in 2022. Depreciation decreased as certain property, plant and equipment has been fully depreciated in 2022.

### Technical Service Fees

During the Year, the Group's technical service fees amounted to approximately HK\$143.1 million, which increased by approximately HK\$18.9 million or approximately 15.2% from approximately HK\$124.2 million in 2022. Technical service fees increased in 2023 as the Group has utilised more technical services for the production enhancement projects in northern China and for the supervisory services provided in the Middle East in 2023.

### Entertainment and Marketing Expenses

During the Year, entertainment and marketing expenses amounted to approximately HK\$12.7 million, which increased by approximately HK\$5.6 million or approximately 78.9% from approximately HK\$7.1 million in 2022. The increase in entertainment and marketing expenses in 2023 was resulted from the increase in marketing activities following the removal of most COVID-related preventive measures by the PRC government in early 2023.

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

During the Year, net impairment loss on financial assets amounted to approximately HK\$5.6 million, as compared to net reversal of impairment on financial assets of approximately HK\$5.7 million in 2022. The net impairment loss on financial assets in 2023 was mainly related to certain customers in the China market.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Impairment Loss on Goodwill

As certain contracts for the Group's consultancy services provided in the Middle East was not expected to be renewed in 2024, the Group assessed the recoverable amount of goodwill in relation to the consultancy services cash-generating unit ("**CGU**") and an impairment loss of approximately HK\$58.9 million (2022: Nil) was recognised in 2023.

The Group has entered into contracts to provide supervisory services to a customer for its oilfield project in the Middle East since 2015. There had been stable relationship with this customer and the service contracts had been renewed every year since then. Accordingly, when performing the valuation of the consultancy services CGU as at 31 December 2022 (the "**2022 Valuation**"), the Group had used an estimated compound annual growth rate of revenue ("**CAGR**") of approximately 5% for the next five years and adopted a terminal growth rate of 3%. The results of the 2022 Valuation warranted that no impairment loss should be recognised for the year ended 31 December 2022.

However, in December 2023, the general manager of the customer informed the head of the Group's middle east project department that, upon expiry of the current contract in the first quarter of 2024, the customer will not renew the service contract (the "**Middle East Contract**") with the Group as the customer will perform the supervisory works internally in order to save its operating costs. For the years ended 31 December 2021, 2022 and 2023, the Middle East Contract contributed approximately 83%, 75% and 65% to the revenue of the consultancy services segment, respectively. Accordingly, the Group estimated that the revenue for the Group's consultancy services CGU will have a significant drop in annual revenue growth rate of approximately -53% in 2024, approximately -41% in 2025 and 0% for 2026 to 2028 with a CAGR of approximately -23% for the next five-year financial budgets and adopted a terminal growth rate of 3% when performing the valuation of the consultancy services CGU as at 31 December 2023 (the "**2023 Valuation**"). The results of the 2023 Valuation indicated that the recoverable amount of the consultancy services CGU was approximately HK\$42.4 million. The carrying amount of the consultancy services CGU was approximately HK\$101.3 million, so the recoverable amount of the consultancy services CGU was lower than the carrying amount of the consultancy services CGU by approximately HK\$58.9 million. Pursuant to International Accounting Standard 36 – Impairment of Assets, the impairment loss shall be allocated first to reduce the carrying amount of the goodwill allocated to the consultancy services CGU and as a result, an impairment loss of goodwill of approximately HK\$58.9 million should be recognised for the year ended 31 December 2023.

As at the end of the reporting period, except for the Middle East Contract, the directors were not aware of any incident or event that would adversely affect the execution of other existing material contracts.

Further details of the impairment loss on goodwill are set out in note 17 to the consolidated financial statements.

## Other Gains and Losses, Net

During the Year, the Group recorded net other gains of approximately HK\$28.3 million (2022: HK\$2.5 million). The increase in net other gains was mainly resulted from the increases in gains on dilution and disposal of interests in associates, the increase in gain on disposal of property, plant and equipment and the increase in government grant. During the Year, the Group disposed approximately 1.32% equity interest in Petro-king Huizhou to certain independent third parties at an aggregated consideration of RMB8.0 million. Gain on disposal of interest in associates of approximately HK\$3.6 million was recorded during the Year. Further details of these disposals were disclosed in the Company's announcements dated 18 July 2023 and 2 January 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Loss

As a result of the foregoing, the Group's operating loss in 2023 amounted to approximately HK\$68.5 million, which increased by approximately HK\$44.2 million or approximately 181.9% as compared with that of approximately HK\$24.3 million in 2022.

## Finance Costs, Net

During the Year, the Group's net finance costs amounted to approximately HK\$11.5 million, which increased by approximately HK\$5.5 million or approximately 91.7% as compared with that of approximately HK\$6.0 million in 2022. Such increase in net finance costs was mainly resulted from the increase in interest expense in relation to the instalment loans incurred for the acquisition of certain fracturing equipment which was completed in the fourth quarter of 2022 and the decrease in interest income received from Petro-king Huizhou and its subsidiaries during 2023.

## Share of Net Profits of Associates

During the Year, the Group recorded share of net profits of associates of approximately HK\$8.7 million (2022: HK\$3.6 million). The balance mainly represented the Group's share of net profit of the Petro-king Huizhou Group during the Year. Petro-king Huizhou has not declared any dividend in 2023 (2022: Nil).

## Loss for the Year

As a result of the foregoing, the Group's loss for the Year amounted to approximately HK\$74.7 million, which increased by approximately HK\$47.2 million or approximately 171.6% as compared with that of approximately HK\$27.5 million in 2022.

## Loss for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group's loss for the year attributable to owners of the Company in 2023 was approximately HK\$73.5 million, which increased by approximately HK\$44.9 million or approximately 157.0% as compared with that of approximately HK\$28.6 million in 2022.

## 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 2023, the Group's property, plant and equipment amounted to approximately HK\$127.3 million, which decreased by approximately HK\$36.4 million or approximately 22.2% from approximately HK\$163.7 million as at 31 December 2022. The decrease was mainly due to depreciation expense charged during the Year.

## Intangible Assets

As at 31 December 2023, the Group's intangible assets represented the net book amount of the goodwill attributable to the Group's consultancy services CGU. The balance of the Group's intangible assets decreased by approximately HK\$58.9 million from approximately HK\$85.7 million as at 31 December 2022 to approximately HK\$26.8 million as at 31 December 2023 as the Group has recognised an impairment loss on goodwill of approximately HK\$58.9 million (2022: Nil) in 2023. Further details of the Group's intangible assets are set out in note 17 to the consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Interests in Associates

As at 31 December 2023, the Group's interests in associates amounted to approximately HK\$90.7 million, representing an increase of approximately HK\$17.0 million as compared with that of approximately HK\$73.7 million as at 31 December 2022. The increase was mainly due to the Group's share of net profit in the Petro-king Huizhou Group in 2023 and the gain on dilution of interests in Petro-king Huizhou resulting from certain capital enlargement completed by Petro-king Huizhou in 2023, being partly offset by the Group's disposal of approximately 1.32% equity interest in Petro-king Huizhou during the Year. As at 31 December 2023, the fair value of the Group's interest in Petro-king Huizhou was approximately HK\$90.7 million (31 December 2022: HK\$73.7 million), which represented approximately 12.7% (31 December 2022: 9.0%) of the Group's total assets. As at 31 December 2023, the Group held approximately 28.45% equity interest in Petro-king Huizhou (31 December 2022: 32.73%). The Group's equity interest in Petro-king Huizhou has decreased by approximately 4.28% during the year ended 31 December 2023 as the Group has disposed approximately 1.32% equity interest in Petro-king Huizhou during the Year and as Petro-king Huizhou has completed certain capital enlargement during 2023. The Group presently intends to retain the major part of its interest in Petro-king Huizhou for long term investment, but will also consider the needs to partially dispose a minor portion of its interest in Petro-king Huizhou depending on the future liquidity requirements of the Group.

## Other Receivables and Deposits

As at 31 December 2023, the sum of current and non-current other receivables and deposits amounted to approximately HK\$65.7 million, representing a decrease of approximately HK\$31.4 million or approximately 32.3% as compared with that of approximately HK\$97.1 million as at 31 December 2022. The decrease in other receivables and deposits was mainly resulted from the repayment of certain amounts due from the Petro-king Huizhou Group in 2023.

## Inventories

As at 31 December 2023, the Group's inventories amounted to approximately HK\$21.1 million, representing an increase of approximately HK\$8.2 million or approximately 63.6% as compared with that of approximately HK\$12.9 million as at 31 December 2022. The average turnover days of inventories increased from approximately 96 days in 2022 to approximately 129 days in 2023. The increase in inventory turnover days was mainly due to slower consumption of inventories by the Group in 2023.

## Trade Receivables

As at 31 December 2023, the Group's trade receivables amounted to approximately HK\$205.7 million, representing a decrease of approximately HK\$15.0 million or approximately 6.8% as compared with that of approximately HK\$220.7 million as at 31 December 2022. The average turnover days of trade receivables was approximately 247 days in 2023, representing an increase of approximately 11 days as compared with that of approximately 236 days in 2022. Trade receivables turnover days increased mainly due to the slightly slower collection of receivables from the Group's customers.

## Contract Assets

The contract assets are primarily related to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. As at 31 December 2023, the Group's contract assets amounted to approximately HK\$120.1 million, representing an increase of approximately HK\$12.4 million or approximately 11.5% as compared with that of approximately HK\$107.7 million as at 31 December 2022. The increase was mainly due to the increase in unbilled works related to the provision of production enhancement services to certain customers in 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Trade Payables

As at 31 December 2023, the Group's trade payables were approximately HK\$222.7 million, which decreased by approximately HK\$21.0 million or approximately 8.6% as compared with that of approximately HK\$243.7 million as at 31 December 2022. The average turnover days of trade payables increased from approximately 377 days in 2022 to approximately 445 days in 2023, representing an increase of approximately 68 days. The increase in turnover days of trade payables mainly resulted from the decrease in material costs in 2023.

## 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 2023, the Group's cash and cash equivalents amounted to approximately HK\$26.3 million, representing a decrease of approximately HK\$13.7 million as compared with that of approximately HK\$40.0 million as at 31 December 2022. The cash and cash equivalents were mainly held in RMB and US\$.

As at 31 December 2023, the Group's bank and other borrowings amounted to approximately HK\$187.1 million (31 December 2022: HK\$227.4 million), of which approximately 54.5% (31 December 2022: 41.9%) was repayable within one year. As at 31 December 2023, the Group's bank and other borrowings were mainly denominated in Hong Kong dollars and RMB whilst all (31 December 2022: 100%) of such borrowings bore interests at fixed lending rates.

As at 31 December 2023, certain machineries of the Group with carrying values of approximately HK\$73.1 million (31 December 2022: HK\$84.7 million) were pledged to secure certain instalment loans granted to the Group. In addition, certain trade receivables of approximately HK\$108.9 million (31 December 2022: HK\$150.0 million) was pledged to secure certain bank borrowings of the Group as at 31 December 2023.

## Gearing Ratio

As at 31 December 2023, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 45.3% (2022: 42.2%). Net debt is calculated as total borrowings (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated financial information) less total cash (including "restricted bank deposits" and "cash and cash equivalents" as shown in the consolidated financial information). Total capital is calculated as "equity" as shown in the consolidated financial information plus net debt.

## Foreign Exchange Risk

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitment

As at 31 December 2023, the Group did not have any capital commitment (31 December 2022: Nil).

### Off-balance Sheet Arrangements

As at 31 December 2023, the Group did not have any off-balance sheet arrangements (31 December 2022: Nil).

### Significant Events after the End of the Year

Other than those disclosed in Note 38 to the consolidated financial information in this report, no other significant event has occurred after the end of the Year and up to the date of this report.

## HUMAN RESOURCES

The Group believes that our people are the most valuable assets to our business. We have implemented human resources policies and procedures with detailed requirements on compensation, dismissal, recruitment, promotion, working hours, equal opportunity and other benefits and welfare. We support employees' growth and strive to secure our core expertise through training and development. To equip our frontline staff with the right skillset and knowledge, we arranged a series of training courses that cover technical update of drilling and production enhancement technology, technical practice training 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 142 trainings consisting of more than 9,791 hours in total and 224 employees attended these training programs in 2023.

To cope with the development trend of the industry, the Company paid high attention to talent introduction. The total headcount was 256 employees as at 31 December 2023, which increased by approximately 3.2% as compared with that of 248 employees as at 31 December 2022.

## 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.

The Group pays great attention to the registration of patents and always encourages employees to apply for patents. As at 31 December 2023, the Group had 23 utility model patents and 8 innovation patents and was applying for 6 utility model patents and 7 innovation patents.

In 2024, the Group will continue its efforts in developing technologies through in-house research and development and through cooperation with oilfield service technology companies and institutes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SCOPE AND REPORTING PERIOD

This is the seventh 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 2023 to 31 December 2023 (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. The offices collectively manage and oversee the overall business operation of the Group, which contributed approximately 93.1% of the Group’s total revenue during the Reporting Period.

Chongqing Office is a new adding scope of this report compared with that for the period from 1 January 2022 to 31 December 2022 (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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The Group acknowledges that the petroleum and energy sector currently represents the highest proportion of global energy consumption and is a significant contributor to carbon emissions. As the world embraces decarbonization efforts, the transformation of our energy consumption structure becomes vital for the future of the Group.

Furthermore, operating in the oil and gas industry entails inherent risks, where any unforeseen accidents can lead to environmental damage and harm to individuals. Such incidents can have a profound impact on both the environment and social stability, as well as significantly affect our business operations.

Compliance with relevant regulations is the foundation for sustaining our business operations. As ESG regulations and standards become increasingly stringent, non-compliance in ESG-related matters can adversely affect our long-term viability.

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 occupational health, safety, and environmental (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 Organisation (ILO) Convention on Equal Remuneration
4. Convention on the Elimination of All Forms of Discrimination against Women

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

## SUSTAINABILITY GOVERNANCE

Petro-king's sustainability governance is overseen by its Board of Directors, who hold the overall responsibility for the Group's sustainability strategy and reporting. The company integrates environmental, social, and governance (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, Petro-king 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, Petro-king has established an ESG Task Force composed of senior management staff. This task force works to promote the integration and management of ESG concerns throughout the Group's operations. Whenever critical ESG issues arise, the task force reports directly to the Board for discussion and decision-making.

In determining the material ESG topics relevant to the Group, the Board conducts an online survey annually with the assistance of a third-party consultant. This survey allows the company 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.

## EMBRACING A GREENER FUTURE

To ensure sustainable operations and long-term business growth, the Group has established ESG-related goals.

These goals encompass various sustainability aspects, including emission reduction and energy savings. The Group diligently monitors the progress of implementing these ESG targets through measures such as meetings, inspections, and regular monitoring of production facility performance. On an annual basis, the ESG Task Force reviews the environmental targets and evaluates the Group's overall ESG performance.

Moreover, the Group is committed to delivering high-quality products and services while prioritizing the safety and occupational health of its employees. It also maintains a close watch on supply chain risks, striving to conduct business in an environmentally and socially responsible manner. By pursuing these initiatives, the Group aims to enhance its environmental performance and ensure responsible practices in all aspects of its operations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PRODUCTS AND SERVICES:

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

## OCCUPATIONAL HEALTH AND SAFETY:

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

## SUPPLY CHAIN MANAGEMENT:

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

## AWARDS AND RECOGNITIONS

The Group is currently a member of the International Association of Drilling Contractors (“IADC”). During the Reporting Period, the Group has been certified as Guangdong Province Enterprise of Observing Contract and Valuing Credit, High-Tech Enterprise by the Shenzhen Science and Technology Innovation Commission, and Nanshan District “Green Channel” Enterprise. As a result of continuous pursuit of HSE and quality management excellence, the Group has also obtained certifications from the following management systems:

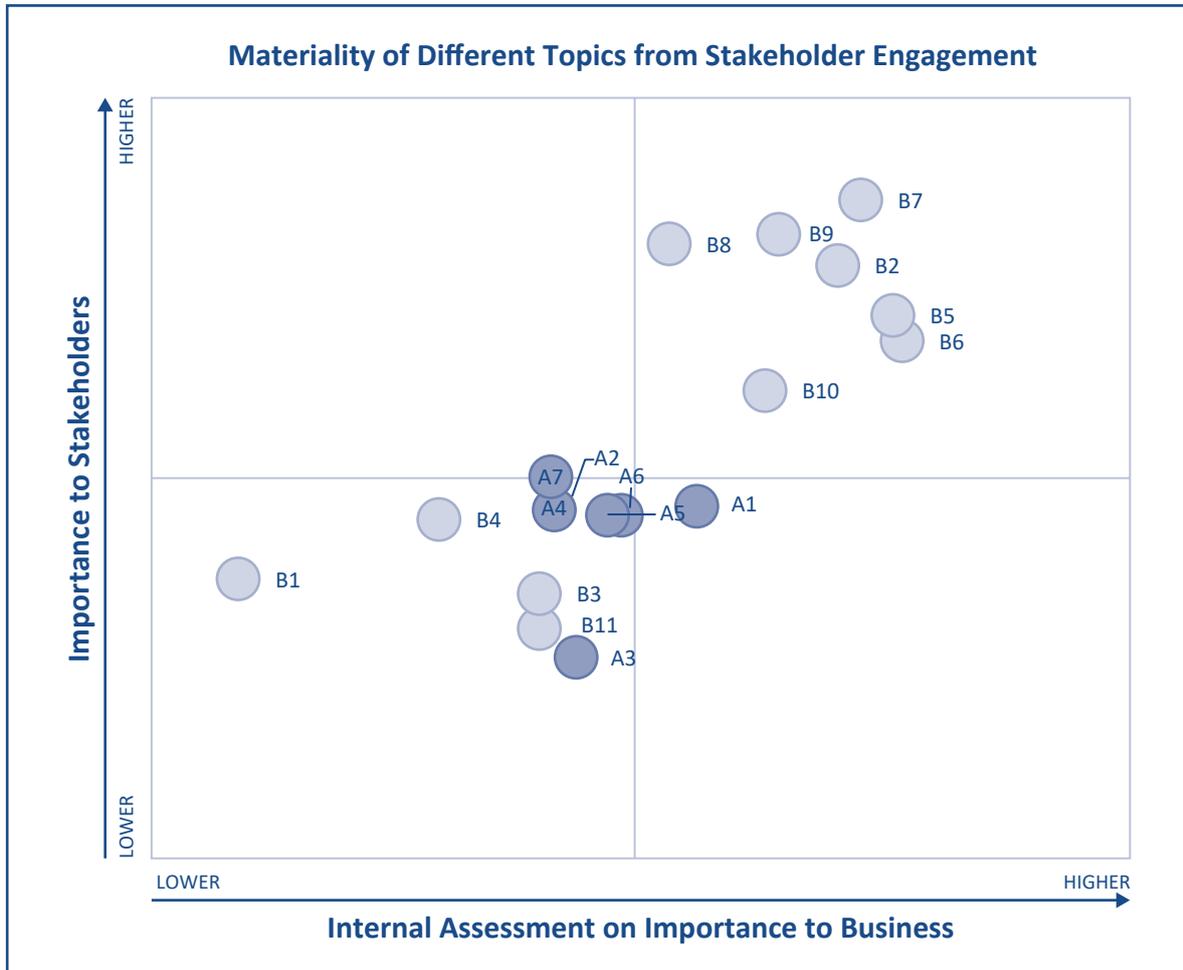
Scope	Certification
Environment	ISO 14001 Environmental Management System
Workplace Safety	ISO 45001 Occupational Health and Safety Management System Safety production license
Quality Assurance	ISO 9001 Quality Management System ISO 10012 Measurement management system
Customer Service	GB/T 27922-2011 Certification of the Evaluation System for After-sales Service of Commodity
Intellectual Property Rights	GB/T29490-2013 Certification of the Intellectual Property Management System

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group maintains ongoing dialogue with key stakeholders via various communication channels including monthly meetings, emails, and regular customer surveys. To identify significant ESG topics, the Group specifically engaged both internal and external stakeholders, namely the Board of Directors, senior management, shareholders, frontline staff, suppliers, and customers, to gain insights into ESG material topics and challenges to the Group’s operation during the Reporting Period. In the materiality assessment, stakeholders were asked to rate a list of 18 topics in terms of their relevance and importance to the Group’s business development and sustainability, as well as to the wider community.

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

Materiality Matrix



**A. Environmental Issues**

- 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 Customer Data Protection
- 8 Customer Service
- 9 Product/Service Quality
- 10 Anti-corruption
- 11 Community Investment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

- Occupational Health and Safety
- Supplier Management
- Intellectual Property
- Data Protection
- Product/Service Quality

From the standpoint of stakeholders, all the significant ESG issues are categorized as social issues. 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	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Financial reports</li><li>• Corporate website</li><li>• Announcements, notices of meetings, circulars</li></ul>
Clients	<ul style="list-style-type: none"><li>• Corporate websites</li><li>• Regular meetings and communication</li></ul>
Employees	<ul style="list-style-type: none"><li>• Performance reviews and appraisals</li><li>• Regular meeting and management communication (e.g email and telephone)</li></ul>
Government	<ul style="list-style-type: none"><li>• On-site inspections</li><li>• Work reports preparation and submission for approval</li><li>• Financial reports</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Procurement processes</li><li>• Audits and assessments</li><li>• Annual review</li></ul>
Community	<ul style="list-style-type: none"><li>• Participation in community union events</li></ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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](mailto:ir@petro-king.cn).

## A. ENVIRONMENTAL PROTECTION

As a responsible corporate entity, the Group places a strong emphasis on environmental protection. It has obtained the ISO 14001 Environmental Management System certification and developed various systems and policies to mitigate potential environmental impacts. These include the environmental protection management procedure, waste management system, and environmental management system for drilling sites. 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 different regions

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

Throughout the Reporting Period, the Group identified no cases of non-compliance with relevant laws and regulations that would have had a significant impact on the Group. Specifically, no instances of non-compliance were found in relation to 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 and its efforts to minimize its environmental impact.

## Emissions Control

### Air Emissions

During the Reporting Period, the Group-owned, fossil-fueled vehicles (e.g., passenger cars, vans, and other mobile machinery) were used for daily business operations, which contributed to the emission of nitrogen oxides (“**NO<sub>x</sub>”**), sulfur oxides (“**SO<sub>x</sub>”**) and respiratory suspended particles (“**RSP**”). The major mobile fuel sources of the Group are petrol and diesel. The overall air emissions were decrease due to the reduced use of company-owned vehicles during the Reporting Period.

Air Emissions	2023	2022
NO <sub>x</sub> (kg)	12.81	14.23
SO <sub>x</sub> (kg)	0.38	0.42
RSP (kg)	0.94	1.05

### 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 12,466.90 tonnes of carbon dioxide equivalent (“**tCO<sub>2</sub>eq.**”), mainly carbon dioxide, methane, and nitrous oxide. The overall intensity of the GHG emissions for the Group was 0.041 tCO<sub>2</sub>eq./HK\$’000 with reference to the revenue of Shenzhen Office and Chongqing Office collectively during the Reporting Period.<sup>1</sup>

The GHG emissions reported included the following activities and scopes:

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope of Greenhouse gas emissions <sup>1</sup>	Emission sources		2023 (in tCO <sub>2</sub> e)	2022 (in tCO <sub>2</sub> e)
Scope 1 Direct emissions <sup>2</sup>	Combustion of fuels in stationary sources Diesel <sup>3</sup>		12,170.30	13,799.64
	Combustion of fuels in mobiles sources Petrol		68.98	76.39
Scope 2 Indirect emissions	Purchased electricity <sup>3</sup>		29.31	24.42
Scope 3 Other indirect emissions	Paper waste disposed at landfills		3.01	2.50
	Electricity used for processing fresh water by third parties		0.05	0.05
	Electricity used for processing sewage by third parties		0.02	0.02
	Business air travel by employees		195.23	19.12
Total			12,466.90	13,922.14
Intensity (tCO <sub>2</sub> e/HKD\$1000)			0.043	0.049

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: Emission factor of 0.5703 tCO<sub>2</sub>/MWh by The Ministry of Ecology and Environment of People's Republic of China (2022) was used for purchased electricity for 2023. Emission factor of 0.6101 tCO<sub>2</sub>/MWh was used for purchased electricity in the National Grid of the PRC for 2021 and 0.5810 tCO<sub>2</sub>/MWh for 2022.

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.

Note 5: Emission data of electricity used for sewage processing was unavailable in 2021.

### GHG Reduction Commitment and Mitigations

The Group has made significant efforts to address greenhouse gas (GHG) emissions and enhance its environmental performance. The establishment of the ISO 14001 Environmental Management System has enabled the Group to effectively manage climate change, energy, and carbon-related risks in its day-to-day 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. The Group closely monitors the progress towards this target and during the Reporting Period, successfully achieved a decrease of 16.3% in intensity compared to year 2022. This approach allows the Group to actively work towards reducing its environmental impact while accounting for emissions fluctuations resulting from project variations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Looking ahead, the Group will continue to monitor the progress of its emission reduction target and actively seek opportunities to increase the utilization of electric pumps in fracturing operations. Additionally, the Group remains dedicated to staying abreast of the latest developments in clean and energy-saving technologies within the oilfield services industry, with a commitment to implementing these technologies in its operations.

To mitigate emissions arising from its operations, the Group has implemented various air pollution control measures. These measures include regular monitoring activities and proper maintenance of production facilities to ensure compliance with air quality standards 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

During fracturing operations, the Group prioritizes the use of electric pumps over diesel pumps whenever conditions allow. This not only reduces emissions but also promotes energy efficiency. Additionally, the construction site is equipped with impermeable membranes to prevent any potential oil spills from seeping into the ground. In the event of an oil spill, all leaked oil is promptly collected to prevent environmental contamination, and proper disposal measures are taken.

## 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. These efforts reflect the Group's commitment to reducing vehicle emissions and promoting sustainable transportation practices.

## Waste Management

No hazardous waste was generated by the Group during the reporting period. As for non-hazardous waste, it was sourced from domestic waste generated within the office. Specifically, the Shenzhen Office generated a total of 2 tonnes of non-hazardous waste during this period. This equates to an overall intensity of 2.18 kg/m<sup>2</sup> and 7.94 kg/staff. These figures provide insight into the Group's waste generation and serve as a foundation for future waste reduction and management initiatives.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Waste handling and reduction initiatives

The Group upholds rigorous waste management protocols to ensure the proper handling of non-hazardous waste. This involves sorting and recycling non-hazardous waste through accredited companies, adhering to all relevant legal obligations. To minimize waste generation, the Group implements various measures such as promoting double-sided printing, encouraging the use of electronic documentation, and monitoring paper consumption to foster a paperless office environment. Print equipment is leased from a professional supplier, while items such as ink cartridges, toner cartridges, and batteries are handled by the service provider for recycling. Conveniently placed recycling bins throughout the offices facilitate the recycling of paper waste. The Group remains proactive in staying informed about environmental regulations and standards, promptly updating its management policies accordingly. These dedicated efforts reflect the Group's unwavering commitment to responsible waste management and the pursuit of sustainable operations.

## 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. Types of energy consumed include electricity and petrol. During the Reporting Period, the total energy consumption was 50,061.8 Megawatt-hour ("MWh"), with an overall energy intensity of 0.16 MWh/HK\$'000 revenue. The intensity was decreased by 11.1% compared to the last reporting year. The table below presents the energy consumption by energy types and the associated energy intensity.

Direct/indirect energy sources <sup>1</sup>	2023 (in MWh)	2022 (in MWh)
Electricity consumption	30.19	42.04
Petrol consumption <sup>2</sup>	250.50	254.52
Diesel consumption <sup>3</sup>	49,781.11	51,380.51
Total Energy Consumption	50,061.80	51,677.07
Total energy intensity (MWh/HK\$'000 revenue)	0.17	0.18

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

Note 2: Petrol consumption in 2023 and 2022 were 25,848 litre and 28,720 litre, respectively.

Note 3: Diesel consumption in 2023 and 2022 were 4,651,034 litre and 5,139,015 litre, respectively.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Energy Use Efficiency Initiatives

The Group has implemented various measures to promote the efficient use of energy resources. To conserve energy, the Group implements restrictions on air conditioner usage and maintains a default temperature setting of 26°C during summer. 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. 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. Remarkably, the average diesel consumption for single-layer hydraulic fracturing operations is decreased by 15% compared to the year 2020. During operational activities, the Group strives to maximize the use of local power supply. Additionally, the Group actively promotes the use of electric pumps as an alternative to diesel pumps to reduce energy consumption.

## Water Resource Management

The Group's production enhancement business operations utilise 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 during 2022 and the Shenzhen Office and Chongqing Office during 2023. The increase in water consumption during the Reporting Period was mainly attributed to the addition of Chongqing Office as a new reporting scope.

	2023	2022
Water consumption	210 m <sup>3</sup>	106 m <sup>3</sup>
Intensity (m <sup>3</sup> per staff) <sup>2</sup>	0.82 m <sup>3</sup> /staff	0.43 m <sup>3</sup> /staff
Intensity (m <sup>3</sup> per m <sup>2</sup> of total production area)	0.23 m <sup>3</sup> /m <sup>2</sup>	0.09 m <sup>3</sup> /m <sup>2</sup>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Water Use Efficiency Initiatives

The Group implements various control measures to conserve water resources and efficiently manage water consumption. Water-saving taps have been installed at the Shenzhen Office, while a water circulating system is utilized to recycle water and minimize consumption during operations. The Group had set a target to reduce water consumption by 1% in 2023, using 2022 as the baseline year. However, due to the inclusion of the Chongqing Office as a significant operational area during the Reporting Period, this target was not met. Consequently, the target will be extended to 2024, with 2023 serving as the new 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 ensures the responsible use of natural resources. For instance, water and energy conservation is achieved through the installation of water-efficient devices in the office and maintaining energy-saving temperatures for air-conditioners. The administration department diligently monitors monthly water and electricity consumption to prevent excessive resource usage.

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

### Significant climate-related risk to the company

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). 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.

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

Similar to the previous reporting year, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## The Future

Given the Group's close association with the traditional oil and gas market, it is susceptible to potential financial consequences arising from the transition to a low-carbon economy. In response to evolving energy policies and changes in energy consumption patterns driven by climate change, the Group has identified the development of clean energy sources, such as shale gas, combustible ice, and geothermal power, as its future business direction. To prepare for this business restructuring, the Group is increasing its investment in research and development of relevant technologies. The Group's long-term goal is to gradually transition from being an oilfield service provider to becoming a provider of new energy services.

## Opportunities

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

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

- Pay close attention to the development and use of clean and energy-saving technologies in the industry, and actively apply the latest technologies to the Group's operation;
- Establish a strategy for the transformation to new energy development service provider, and invest resources in research and development of new energy development service technologies; and
- 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 and appreciates the hard work of its employees. With a mission to create value for its employees, the Group cares about the wellbeing of its employees and provides attractive career prospects and diversified learning opportunities to them.

#### Employment

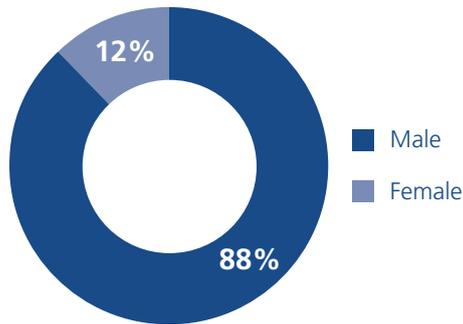
The Group is committed to upholding the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, and other relevant laws and regulations in the regions where it operates, as well as international labor standards. In addition, the Group strictly follows 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.

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.

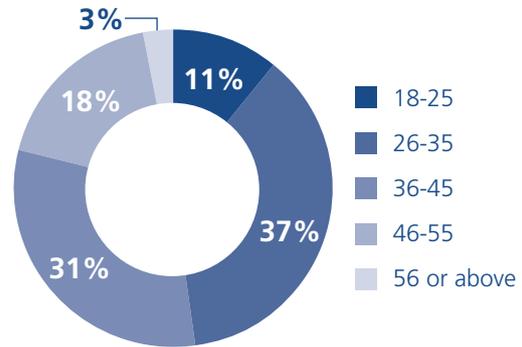
As of December 31, 2023, the Shenzhen Office and the Chongqing Office employed a total of 256 full-time employees. The workforce is categorized by gender, age group, employee category, and geographical region as indicated in the table below.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

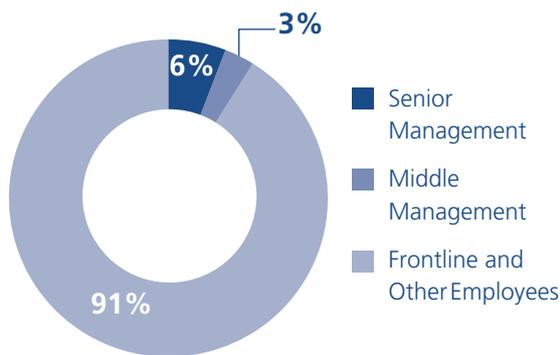
**By Gender**



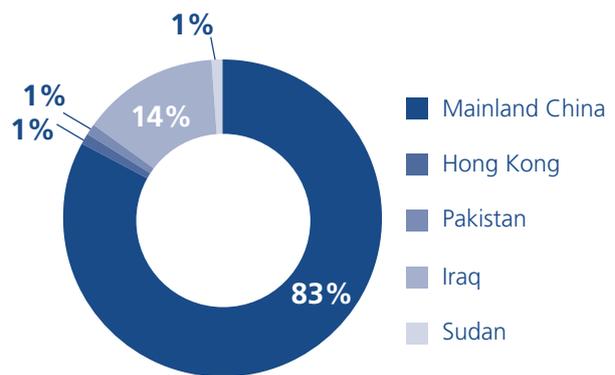
**By Age Group**



**By Employment Category**



**By Geographical Region**



The employment contract specifies various details of the job appointment, including the position, start date, remuneration and promotion, compensation and dismissal policy, probationary period, leave entitlement, reward and penalty system, and other terms and conditions of employment in compliance with applicable laws and regulations. The Group maintains well-documented policies, standards, and expectations for its employees, which are communicated through the Group's Code of Conduct and relevant policies outlined in the employee handbook.

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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Competitive Compensation and Benefits Package

The Group values its employees and strives to provide a competitive remuneration package that aligns with applicable laws and regulations. Benefits and welfare are offered to employees in accordance with statutory requirements. The Group ensures that social insurance, subsidies, holidays, and other benefits are provided as mandated by law.

In addition to statutory holidays, employees are entitled to various types of paid leave, including annual leave, sick leave, marriage leave, maternity leave, paternity leave, injury leave, compensation leave, breastfeeding breaks, and condolence leave. Employees in the Group's operations in the PRC are provided with annual health check-ups. Year-end bonuses or pro-rated bonuses are given to employees based on their duration of employment in the calendar year, including new hires. Employees who work beyond the statutory working hours are compensated with overtime pay or compensatory leave, as specified in the Labor Law of the PRC.

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 promotion exercises to provide opportunities for career advancement. Performance appraisal is carried out to assess employees' competencies through end-of-year examinations and performance evaluations. Additionally, department managers evaluate employees' achievement of performance targets. Eligibility for career advancement within the Group is based on employees' competencies 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 employee handbook clearly outlines the Group's commitment to establishing an equal and diverse working environment. The Group has implemented non-discriminatory employment practices that strictly prohibit discrimination based on factors such as gender, age, family status, sexual orientation, disability, race, and religion. These practices extend to all aspects of employment, including recruitment, promotion, and career development. The Group ensures that all employees have fair and equal opportunities for advancement.

In alignment with employment discrimination laws, the Group actively promotes diversity and upholds the principles of equal opportunity employment in its business operations. During the Reporting Period, the Group demonstrated its commitment to supporting individuals with disabilities by contributing to the Disabled Persons Employment Security Fund. This contribution helps provide vocational training and job-placement services to support the employment of people with disabilities.

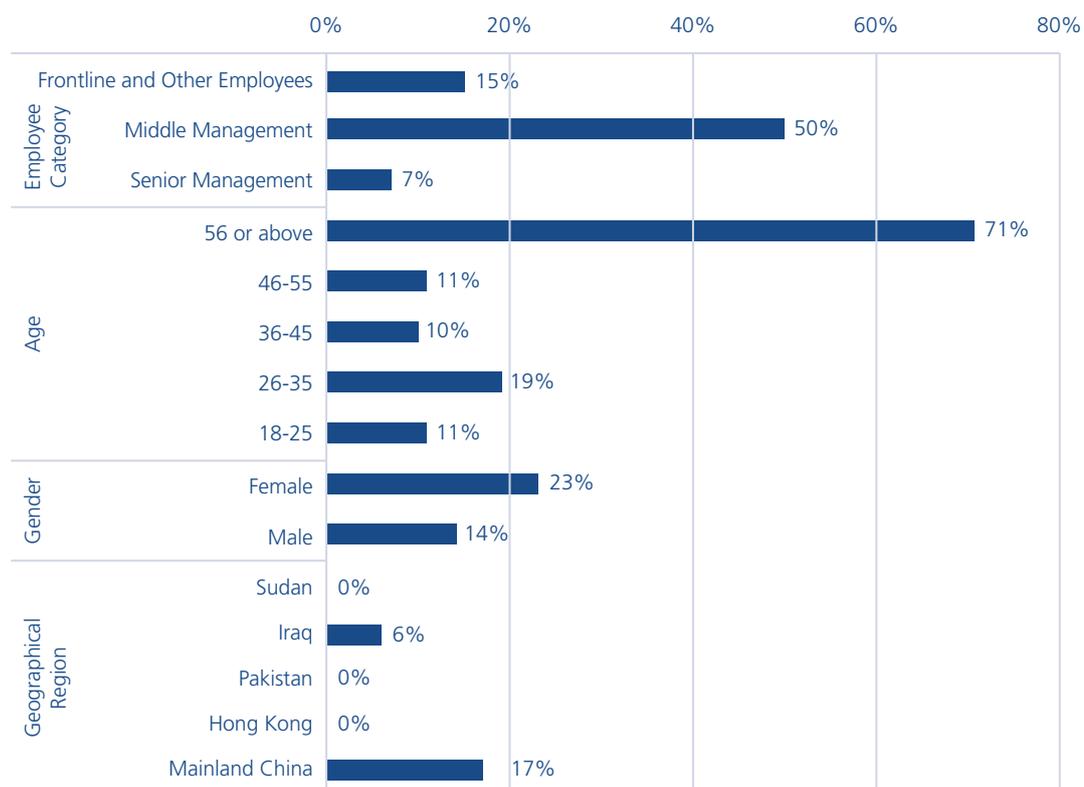
## **Employee relations and turnover**

The Group recognizes that employees are its most valuable asset. To cultivate a sense of belonging and foster a positive work environment, the Group organises a range of recreational and cultural activities. These activities may include birthday celebrations, buffet gatherings, team bonding exercises, and sports events. Through these initiatives, employees have the opportunity to engage with one another, build relationships, and develop a better understanding of their colleagues. These activities contribute to a more cohesive and supportive workplace atmosphere.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A total of 39 employees left the Group during the Reporting Period, representing an overall turnover rate of 15%. The employee turnover rate by gender, age group, and employment category are as follows:

## Turnover Rate by Category



## Employee Health and Safety

The health and safety of employees are of utmost concern to the Group. In line with the Group's HSE commitment, the Group has obtained the ISO 45001 Occupational Health and Safety Management System and Level 3 of Work Safety Standardization certifications. The Group strictly complies with relevant laws and regulations concerning occupational health and safety, including but not limited to the following laws and regulations.

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

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

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 provides medical insurance and commercial health insurance coverage with an insured amount of RMB500,000.

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. 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. Notably, the Group maintained compliance with occupational health and safety laws and regulations during the Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. In such cases, 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.

## Occupational Health and Safety Statistics in 2023

<b>Work-related fatality</b>	0
<b>Lost days due to work injury</b>	106 days

## Development and Training

The Group prioritizes employee training and development by providing comprehensive programs. The HR department formulates strategic plans based on training needs, job requirements, and local regulations, as well as employee requests. Training needs are identified through systematic evaluation using the occupational competency model.

The Group's training activities are divided into two main categories: internal and external training. Internal training covers areas such as safety, negotiation skills, and contract risk prevention and control. External training includes certified programs such as well control, hydrogen sulfide control, HSE, safety qualification certification, and height operation certification. All new employees undergo induction programs, while current employees receive structured on-the-job training to enhance their knowledge and skills in the workplace.

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.

Additionally, the Group encourages employees to participate in activities organized by the Nanshan District General Federation of Trade Unions, including events like Reading Month. These activities aim to foster a culture of continuous education and personal growth among employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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.

Apart from internal training, employees have the opportunity to participate in external training programs and are encouraged to pursue higher education through offerings provided by the Shenzhen Federation of Trade Unions and local educational institutions.

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.

During the Reporting Period, a significant portion of the Group's employees, specifically 88%, received training. The total training hours amounted to 9,555 hours, with an average of 37.3 hours per employee. The figures demonstrate an overall increase in the coverage of employee training by 13% within the Group compared to the last Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A detailed breakdown of training provided to employees

### *By employee category*

Senior Management	Percentage of employees trained	100%
	Average training hours completed per employee	37.6
Middle management	Percentage of employees trained	75%
	Average training hours completed per employee	37.6
Frontline and other staff	Percentage of employees trained	87%
	Average training hours completed per employee	38.2

### *By gender*

Male	Percentage of employees trained	94%
	Average training hours completed per employee	43.4
Female	Percentage of employees trained	39%
	Average training hours completed per employee	1

## Labor Standards

The Group maintains strict adherence to the Labor Law of the PRC, 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 establishes HSE management agreements with contractors and service providers to ensure the effective management of environmental and social issues throughout the duration of the contract. These agreements require 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.

During the Reporting Period, the Group had engaged a total of 117 suppliers, with the majority of goods and services procured from Mainland China suppliers.

Region	Number of suppliers	Types of suppliers
Mainland China	116	Raw materials, machinery and equipment, and service 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Quality Assurance

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

The Group has a robust product inspection and testing system to ensure the safety and reliability of products. In addition, the Group has also developed a produce and service quality plan management system for quality control/assurance. In response to market changes, the Group regularly reviews and improves its quality management system and strengthens the inspections of incoming materials and final products.

## Product Labelling, Health and Safety, and Advertising

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

## Product Recall and Customer Service

The Group has 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.

## 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The Group continuously invests in the development of oilfield services technology, aiming to launch innovative products and services with pride. The Group's Intellectual Property (the "IP") Policy is compliant with the Enterprise Intellectual Property Management (GB/T 29490-2013), Trademark Law, and the Patent Law of the PRC, and regulates the implementation, maintenance, and continuous improvement of the Group's management on IP rights. The Group is committed to using third-party licensed rights and IP assets rightfully without violation of any applicable laws and regulations on IP infringement. As of 31 December 2023, the Shenzhen Office and the Chongqing Office owned 31 patents. The detailed information on the patent application is as follows:

Office	Type	Total
Shenzhen Office <sup>2</sup>	Innovation patents	8
	Utility model patents	13
Chongqing Office	Innovation patents	0
	Utility model patents	10

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.

<sup>2</sup> During the Reporting Period, 2 innovation patents and 2 utility model patents are gained from transferring.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Anti-corruption laws and regulations complied with in different regions

### The PRC

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

### United Nations

- United Nations Convention Against Corruption

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

### Anti-corruption training

The Group highly values business integrity and the honesty of its employees. The Board plays a critical role in building and promoting a clean business environment in the workplace. During the Reporting Period, the Group hired a third-party professional to provide anti-fraud training covering relevant anti-corruption laws and regulations in Hong Kong and PRC, managers codes of conduct, and case studies for all of its directors. 7 directors have received anti-corruption training during the Reporting Period, with an average of 20 minutes of training time. In the future, the Group will further increase its training to employees at different levels to maintain a clean business environment.

### Whistleblowing System

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

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

### Community Investment

The Group does not have a formal policy on community engagement. Nonetheless, the Group believes that corporate social responsibility is of the same importance as the Group's business activities. The Group is constantly aware of the needs of the community and encourages its employees to participate in volunteering activities and public welfare undertakings.

# 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 2023, 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 note 38 to the consolidated financial statements, no other significant event has occurred after the end of the Year and up to the date of this report.

## THE BOARD OF DIRECTORS

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

As at the date of this report, the Board was chaired by Mr. Wang Jinlong and comprised seven members, including 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
<b>Executive Directors</b>		
Zhao Jindong	✓	✓
Huang Yu (deceased on 4 March 2023)	X	X
Lin Jingyu (appointed on 22 March 2023)	✓	✓
Zhou Sisi (appointed on 20 December 2023)	✓	✓
<b>Non-executive Directors</b>		
Wang Jinlong	✓	✓
Wong Shiu Kee (resigned on 29 December 2023)	✓	✓
<b>Independent non-executive Directors</b>		
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. Huang Yu (deceased on 4 March 2023) and Mr. Lin Jingyu (appointed on 22 March 2023). While the Chairman oversees the Board's overall direction and functions and the long term development strategy of the Group, the CEO, supported by his management team, is responsible for the management decision and supervision of the Group's annual business plan and operational budget, and the overall daily management of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## CORPORATE GOVERNANCE PRACTICES

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 2022, the approval of the interim results of the Group for the six months ended 30 June 2023, 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 2023 are as follows:

	Meetings attended/Meetings held					2023 Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sanction Oversight Committee	
<b>Executive Directors</b>						
Zhao Jindong	7/7	-	-	-	-	1/1
Huang Yu (deceased on 4 March 2023)	2/2	-	-	-	-	-
Lin Jingyu (appointed on 22 March 2023)	4/4	-	-	-	-	1/1
Zhou Sisi (appointed on 20 December 2023)	-	-	-	-	-	-
<b>Non-executive Directors</b>						
Wang Jinlong	7/7	-	4/4	3/3	2/2	1/1
Wong Shiu Kee (resigned on 29 December 2023)	7/7	-	-	-	-	1/1
<b>Independent non-executive Directors</b>						
Xin Junhe	7/7	2/2	4/4	3/3	2/2	1/1
Leung Lin Cheong	7/7	2/2	4/4	3/3	2/2	1/1
Zhang Dawei	7/7	2/2	4/4	3/3	-	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.

During the year, 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 2023, the gender ratio of the workforce of the Group (including senior management) was 88:12 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.

# CORPORATE GOVERNANCE PRACTICES

## 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 27 March 2023 and 21 August 2023 to review and consider, among others, the financial statements of the Company for the year ended 31 December 2022 and for the six months ended 30 June 2023, 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, three meetings of the Remuneration Committee were held on 22 March 2023, 27 March 2023 and 20 December 2023 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:

<b>Emolument band</b>	<b>Number of individuals</b>
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 4 January 2019 and in compliance with the Code Provisions. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the planning of the Board succession. During the Year, the members of the Nomination Committee were Mr. Wang Jinlong, Mr. Xin Junhe, Mr. Leung Lin Cheong and Mr. Zhang Dawei. Mr. Wang Jinlong is the chairman of the Nomination Committee.

During the Year, three meetings of the Nomination Committee were held on 22 March 2023, 27 March 2023 and 20 December 2023 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 27 March 2023 and 21 August 2023 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 2023 are analysed below:

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

## THE COMPANY SECRETARY

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

On 20 March 2024, Mr. Tung has resigned as the company secretary of the Company (the "**Company Secretary**") and Mr. Chan has been appointed as the Company Secretary with effect from 20 March 2024.

## CORPORATE GOVERNANCE PRACTICES

### 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 2023, 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 2023, 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 2023 to 31 December 2023. 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.

## CORPORATE GOVERNANCE PRACTICES

### Anti-corruption

Adhering to a high standard of corporate ethics is of paramount importance to the Group's operation. The Group's anti-corruption policies, ethical standards and requirements are clearly set out in the employee handbook, which requires all business activities to be operated with a high level of integrity. Regardless of seniority and employment nature, all employees are required to fully comply with the following anti-bribery and anti-corruption legislation:

#### The PRC

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

#### United Nations

- United Nations Convention Against Corruption

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

The Group highly values business integrity and the honesty of its employees. The Board plays a critical role in building and promoting a clean business environment in the workplace. During the Year, the Group hired a third-party professional to provide anti-fraud training covering relevant anti-corruption laws and regulations in Hong Kong and the PRC, managers codes of conduct, and case studies for all of the Directors. The average hour of training received by the Directors is 20 minutes and 7 of them have completed the training. In the future, the Group will further increase its training to employees at different levels to maintain a clean business environment.

### Whistleblowing System

The Group's whistleblowing policy states that whistleblowers can make confidential reports to the Board directly upon any suspicious activities, either in person or email to [humanresource@petro-king.cn](mailto: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>.

## CORPORATE GOVERNANCE PRACTICES

### 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 2023, 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 60, is our executive Director. He joined our Group in 2003 as a vice general manager. He was appointed as an executive Director on 24 December 2012 and is also a director of certain subsidiaries of the Group. Mr. Zhao has over 30 years of experience in drilling and completion services of the oil and gas industry. Before joining our Group, Mr. Zhao was the senior drilling and completion engineer at 康菲石油公司 (ConocoPhillips Oil Company) from October 2002 to December 2003. He was employed by ConocoPhillips China Inc. from October 1997 to October 2002 where he was recognised for his exemplary performance and contributions to the operations in Xinjiang. Mr. Zhao started his career as an engineer trainee at 地質礦產部石油鑽井研究所 (Drilling Institute of Minority of Geology\*) in December 1983. He continued his employment with the Drilling Institute of Minority of Geology where he became a senior engineer and an assistant manager of the drilling development department. Mr. Zhao graduated from 中國地質大學 (China Geology University\*) with a diploma in drilling engineering in 1988. Mr. Zhao has been appointed as the CEO on 25 April 2016. On 1 December 2016, Mr. Zhao has resigned as the CEO due to health reason, but remained as an executive Director.

**Mr. Lin Jingyu (林景禹) (“Mr. Lin”)**, aged 50, is our executive Director and CEO. Mr. Lin joined our Group in August 2008 and was mainly responsible for production enhancement business. He has been promoted to a vice president of the Group and the general manager of the production enhancement department of the Group since September 2013. He was appointed as an executive Director and the chief executive officer of the Company on 22 March 2023. Mr. Lin is also a director, the general manager and the legal representative of Petro-King Oilfield Technology Limited\* (深圳市百勤石油技術有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Lin has over 26 years of experience in the oilfield and gas field industry. Prior to joining our Group, Mr. Lin worked in the Oil Production Technology Research Institute of Sinopec Henan Petroleum Exploration Bureau\* (中石化河南石油勘探局採油工藝研究所) as an assistant engineer from July 1996 to October 2001. He also worked in the Engineering Technology Research Institute of Sinopec Henan Oilfield Branch Company\* (中石化河南油田分公司工程技術研究院) from November 2001 to August 2008 and his last position was a senior engineer and a deputy section chief. Mr. Lin graduated from Xi'an Shiyou College\* (西安石油學院) (currently renamed as Xi'an Shiyou University) with a Bachelor degree in petroleum engineering in 1996. He also graduated from Yangtze University with a Master degree in petroleum and gas engineering in 2007. Mr. Lin is qualified as a senior engineer in oil production engineering in the PRC since December 2007. 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 (周思思) (“Ms. Zhou”)**, aged 33, joined the Group as our 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.

## DIRECTORS AND SENIOR MANAGEMENT

### Non-executive Director

**Mr. Wang Jinlong (王金龍) (“Mr. Wang”)**, aged 58, is our chairman and non-executive Director. He was appointed as an executive Director on 31 December 2007 and redesignated as a non-executive Director on 1 January 2022. Mr Wang is also a director of certain subsidiaries of the Group. Mr. Wang is primarily responsible for the long term development strategy of the Group. He has over 30 years of experience in the oil and gas industry. Mr. Wang founded our Group in April 2002 as the executive director and general manager of Petro-king Oilfield Technology Ltd. Prior to that, he worked at 菲利浦斯中國有限公司 (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 67, 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 70, is an independent non-executive director. He was appointed as an independent non-executive Director on 2 June 2017. He is also the chairman of our audit committee and sanction oversight committee, and a member of each of our nomination committee and remuneration committee. Mr. Leung has been the managing director of Union Registrars Limited since May 2014. He was a part-time tutor for the Master of Corporate Governance of The Open University of Hong Kong (now renamed as Hong Kong Metropolitan University) from 2016 to 2020. Also he has been a part-time lecturer of the HKU SPACE in Risk Management for the HKCGI QP pre-examination course since September 2021. Mr. Leung was an independent non-executive director of Casablanca Group Limited (stock code: 2223) from October 2012 to May 2015 and an independent non-executive director and chairman of audit committee of Guangzhou Automobile Group Co., Ltd. (listed on both The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, with the stock codes “2238” and “601238” respectively) from December 2013 to May 2020. He was the chief legal and compliance officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal and compliance officer and company secretary of Shanghai Industrial Holdings Limited (stock code: 0363). He obtained a master’s degree in business administration jointly from Brunel University and Henley Management College and a master’s degree in Laws from University of London in 1995 and 2006, respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants, The Chartered Governance Institute, The Hong Kong Chartered Governance Institute and a founding member of The Hong Kong Independent Non-Executive Director Association.

**Mr. Zhang Dawei (張大偉) (“Mr. Zhang”)**, aged 66, has over 25 years of experience in mineral resources industry in various government authorities. Mr. Zhang graduated from Changchun Institute of Geology\* (長春地質學院) (has now been merged into Jilin University) with a Bachelor degree in Geological Prospecting in 1990. He also graduated from Jilin University with a Master degree in World Economics in 1997. Mr. Zhang worked in Jilin Province Geology and Mineral Bureau\* (吉林省地質礦產局) as an officer from July 1990 to December 1993. He also worked in the Department of Policies and Regulations, Ministry of Geology and Mineral Resources\* (地質礦產部政策法規司) from December 1993 to December 1998 in which his last position was the director. Mr. Zhang also worked in China Land and Resources Economic Research Institute\* (中國國土資源經濟研究院) as an associate dean from December 1998 to May 2002. He then joined Ministry of Land and Resources Oil and Gas Resources Strategy Research Center\* (國土資源部油氣資源戰略研究中心) as a researcher from May 2002 to April 2012. After that, Mr. Zhang joined Mineral Resources Reserve Evaluation Center of the Ministry of Natural Resources\* (自然資源部礦產資源儲量評審中心) as a researcher from April 2012 to January 2018. From September 2021 to present, he is the Director of the Institute of Urban Underground Space and Energy, The Chinese University of Hong Kong (Shenzhen) \* (香港中文大學(深圳)).

## SENIOR MANAGEMENT

**Mr. Chan Kwok Yuen, Elvis (陳國源) (“Mr. Chan”)**, aged 51, is the CFO. He joined the Group in July 2018 and is responsible for the accounting, financial, and investor relation affairs of the Group. He has over 25 years of experience in the field of accounting and finance. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Chan obtained a bachelor’s degree in commerce from Queen’s University in Canada in 1995 and a master of science degree in corporate governance and directorship from the Hong Kong Baptist University in 2013. On 20 March 2024, Mr. Chan has been appointed as the Company Secretary.

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Zhao Jindong (趙錦棟)  
Mr. Huang Yu (黃瑜)  
(deceased on 4 March 2023)  
Mr. Lin Jingyu (林景禹)  
(appointed on 22 March 2023)  
Ms. Zhou Sisi (周思思)  
(appointed on 20 December 2023)

## NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlong (王金龍)  
Mr. Wong Shiu Kee (黃紹基)  
(resigned on 29 December 2023)

## 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. Tung Tat Chiu, Michael (佟達釗)  
(resigned on 20 March 2024)  
Mr. Chan Kwok Yuen, Elvis (陳國源)  
(appointed on 20 March 2024)

## AUTHORISED REPRESENTATIVES

Mr. Wang Jinlong (王金龍)  
Mr. Tung Tat Chiu, Michael (佟達釗)  
(resigned on 20 March 2024)  
Mr. Chan Kwok Yuen, Elvis (陳國源)  
(appointed on 20 March 2024)

## 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

### 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

### HONG KONG BRANCH SHARE REGISTRAR

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

### PRINCIPAL BANKERS

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

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

Bank of China, Shekou sub-branch  
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

### AUDITOR

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

### COMPANY'S WEBSITE

[www.petro-king.cn](http://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 2023 (The “**Year**” or “**2023**”).

## 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 16 of this report. This discussion forms part of this report of the Directors.

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 85 to 86.

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 2023 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.

### 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 2023, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the BVI Business Companies Act 2004 (and any amendments thereto).

### EQUITY LINKED AGREEMENTS

#### Share options granted to Directors and selected employees

Details of the share options of the Company (the "**Share Options**") granted in previous years and the Year are set out in note 29 to the consolidated financial statements and "Share Option Scheme" section contained in this report of the Directors. On 10 January 2023, the Company granted Share Options (the "**Share Option Grant**") to certain eligible persons to subscribe for a total of 75,000,000 ordinary shares with no par value of the Company subject to and upon the terms and conditions of the Company's share option scheme. Further details of the Share Option Grant were set out in the Company's announcement dated 10 January 2023. No Share Option was exercised and no share was issued during the Year.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

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

- (1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 96.3% of the Group's total revenue. The amount of revenue attributable to the Group's largest customer represented approximately 53.0% of the Group's total revenue.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 40.4% of the Group's total purchases. The amount of purchases attributable to the Group's largest supplier represented approximately 9.4% of the Group's total purchases.

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

### DIRECTORS

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

#### Executive Directors:

Mr. Zhao Jindong  
Mr. Huang Yu (deceased on 4 March 2023)  
Mr. Lin Jingyu (appointed on 22 March 2023)  
Ms. Zhou Sisi (appointed on 20 December 2023)

#### Non-executive Directors:

Mr. Wang Jinlong  
Mr. Wong Shiu Kee (resigned on 29 December 2023)

#### Independent Non-executive Directors:

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

Mr. Xin Junhe and Mr. Leung Lin Cheong will retire at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with Article 75 of the Company's articles of association and being eligible, will offer themselves for re-election. Ms. Zhou Sisi will retire at the forthcoming AGM in accordance with Article 74 of the Company's articles of association and being eligible, will offer herself 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:

<b>Name</b>	<b>Amount</b>
Mr. Zhao Jindong	HK\$135,000 as Director and RMB830,000 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:

<b>Name</b>	<b>Amount</b>
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:

<b>Name</b>	<b>Amount</b>
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).

## REPORT OF THE DIRECTORS

### **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 2023, 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)	9,500,000 (L)	0.55%
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.
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 2023, 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.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, 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)	826,189,898 (L)	47.85%
HSBC International Trustee Limited (“HKIT”)	Trustee (Note 2)	826,189,898 (L)	47.85%
Lee & Leung (B.V.I.) Limited	Beneficial owner (Note 2) Interest in a controlled corporation (Note 2 & 3)	335,737,745 (L) 1,532,015 (L)	19.44% 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%
UBS Group AG	Interest in a controlled corporation (Note 5)	91,121,334 (L)	5.28%
UBS AG	Beneficial owner (Note 6) Person having a security interest in shares (Note 6)	670,857(L) 670,857(S) 70,093,285(L)	0.05% 0.05% 5.68%
Greenwoods Asset Management Hong Kong Limited	Investment manager (Note 7)	91,121,270 (L)	5.28%
Invest Partner Group Limited	Interest in a controlled corporation (Note 7)	91,121,270 (L)	5.28%
Mr. Jiang Jinzhi	Interest in a controlled corporation (Note 8)	62,824,713 (L)	5.08%

### 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.
5. Information is extracted from the corporate substantial shareholder notice filed by UBS Group AG on 2 June 2021.
6. Information is extracted from the corporate substantial shareholder notice filed by UBS AG on 9 February 2015.
7. Information is extracted from the corporate substantial shareholder notices filed by Greenwoods Asset Management Hong Kong Limited and Invest Partner Group Limited on 6 January 2021.
8. Information is extracted from the individual substantial shareholder notice filed by Mr. Jiang Jinzhi on 5 February 2015.

Save as disclosed above, as at 31 December 2023, 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.

## REPORT OF THE DIRECTORS

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

As at 31 December 2023, Mr. Wang Jinlong and Mr. Zhao Jindong are directors of King Shine, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTION SCHEME

On 18 February 2013, the Company's Share Option Scheme was adopted. On 10 January 2023, the Company granted Share Options (the "Share Option Grant") to certain eligible persons to subscribe for a total of 75,000,000 ordinary shares with no par value of the Company subject to and upon the terms and conditions of the Company's share option scheme. Further details of the Share Option Grant were set out in the Company's announcement dated 10 January 2023. Set out below are details of the movements of share options during the financial year ended 31 December 2023:

Grantees	Date of grant	Exercise price (HK\$)	Closing price of shares on the date of grant	Options outstanding as at 1 January 2023	Options granted since 1 January 2023	Options exercised since 1 January 2023	Options lapsed/cancelled since 1 January 2023	Options outstanding as at 31 December 2023	Notes
<b>Directors, chief executives and substantial shareholders</b>									
Zhao Jindong	26 October 2016	0.529	0.520	6,000,000	-	-	(6,000,000)	-	(1)
	10 January 2023	0.075	0.075	-	6,000,000	-	-	6,000,000	(2)
Lin Jingyu	26 October 2016	0.529	0.520	3,000,000	-	-	(3,000,000)	-	(1)
	10 January 2023	0.075	0.075	-	9,500,000	-	-	9,500,000	(2)
Huang Yu (deceased on 4 March 2023)	31 May 2019	0.1922	0.183	17,000,000	-	-	-	17,000,000	(3)
	10 January 2023	0.075	0.075	-	8,000,000	-	-	8,000,000	(4)
Wong Shiu Kee (resigned on 29 December 2023)	10 January 2023	0.075	0.075	-	500,000	-	(500,000)	-	(2)
Leung Lin Cheong	10 January 2023	0.075	0.075	-	500,000	-	-	500,000	(2)
Xin Junhe	10 January 2023	0.075	0.075	-	500,000	-	-	500,000	(2)
Zhang Dawei	10 January 2023	0.075	0.075	-	500,000	-	-	500,000	(2)
<b>Employees and senior management</b>									
	26 October 2016	0.529	0.520	17,400,000	-	-	(17,400,000)	-	(1)
	16 August 2018	0.326	0.32	5,000,000	-	-	-	5,000,000	(5)
	10 January 2023	0.075	0.075	-	49,000,000	-	(500,000)	48,500,000	(2)
<b>Others</b>	10 January 2023	0.075	0.075	-	500,000	-	-	500,000	(2)
<b>Total</b>				48,400,000	75,000,000	-	(27,400,000)	96,000,000	

### Notes:

- (1) 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 26 October 2017 to 25 October 2023, both dates inclusive.

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

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

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

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

- (2) 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.

- (3) 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.

- (4) 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.

## REPORT OF THE DIRECTORS

- (5) 20% of the share options have been vested on the date falling on the first anniversary of the date of grant and exercisable from 16 August 2019 to 15 August 2025, both dates inclusive.

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

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

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

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

### (1) Purpose

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

### (2) Eligible participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;
- (iv) any provider of goods and/or services to the Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up the share options.

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

### **(3) Total number of shares available for issue**

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

### **(4) The maximum entitlement of each eligible participant**

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

### **(5) Option period**

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

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

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

### **(7) Payment on acceptance of the option**

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

## REPORT OF THE DIRECTORS

### (8) Basis of determining the exercise price

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

### (9) The remaining life of the Share Option Scheme

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

The Directors consider that the values of the share options are subject to a number of assumptions and the limitation of the models. The Share Option Scheme has expired on 18 February 2023 and no further share options may be granted under the Share Option Scheme.

Details of Share Option Scheme are stated in note 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

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

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

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

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

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

The total value of transactions charged to the Group for the transactions contemplated under the Supplemental Framework Agreement for the year ended 31 December 2023 was RMB14,675,943.

## REPORT OF THE DIRECTORS

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 2023 in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

### Provision of financial assistance to Petro-king Huizhou Group

- (a) On 9 November 2022, Petro-king International Company Limited ("**Petro-king International**"), an indirectly wholly-owned subsidiary of the Company and Star Petrotech Pte. Ltd., ("**Star Petrotech**"), a wholly-owned subsidiary of Petro-king Huizhou, entered into a supplemental agreement (the "**Supplemental Agreement I**"), pursuant to which Petro-king International agreed to offer to Star Petrotech an irrevocable revolving credit facility in a reduced principal amount of up to US\$2.7 million for a term up to 31 December 2024. On the same date, Mr. Wang Jinlong ("**Mr. Wang**") (as the guarantor) executed a deed of guarantee, so as to provide a personal guarantee in favour of Petro-king International in connection with all the contractual repayment obligations of Star Petrotech under this loan facility. As at 31 December 2023, the outstanding balance of loan principal amount due from Star Petrotech was approximately US\$2,270,000 (equivalent to approximately HK\$17,742,000).
- (b) On 9 November 2022, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.\*) ("**Petro-king Shenzhen**"), an indirectly wholly-owned subsidiary of the Company, Petro-king Huizhou and Mr. Wang entered into a supplemental agreement (the "**Supplemental Agreement II**"), pursuant to which (i) Petro-king Shenzhen agreed to continue to offer to Petro-king Huizhou an irrevocable revolving credit facility in the principal amount of up to RMB15 million for a term up to 31 December 2024, and (ii) Mr. Wang agreed to provide a personal guarantee in favour of Petro-king Shenzhen in connection with all the contractual repayment obligations of Petro-king Huizhou under the Supplemental Agreement II. As at 31 December 2023, there was no outstanding balance of loan principal amount due from Petro-king Huizhou.

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

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

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

Save as disclosed above, the Company has not entered into any non-exempt connected transactions (including continuing connected transactions) for the year ended 31 December 2023.

## 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 2023 are set out in note 33 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 46 to 56.

### 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 46 to 56.

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Details of the events after the date of the statement of financial position are set out in note 38 to the consolidated financial statements.

### PERMITTED INDEMNITY PROVISIONS

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

### AUDITOR

The consolidated financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. 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, 27 March 2024

\* *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 85 to 182, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b)(ii) to the consolidated financial statements, which indicates that the Group reported a net loss of approximately HK\$74,737,000 during the year ended 31 December 2023, and as of that date, the Group had total current bank and other borrowings of approximately HK\$101,951,000, while the Group only had cash and cash equivalents of approximately HK\$26,294,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

### Impairment assessment of non-financial assets

Refer to Note 4.7, Note 5(b), Note 16, Note 17, Note 18 to the consolidated financial statements.

As at 31 December 2023, the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets were approximately HK\$127,259,000, HK\$26,756,000 and HK\$2,808,000, respectively.

For the purpose of impairment testing, non-financial assets are allocated to their respective cash-generating units ("CGU(s)"). The CGU with goodwill allocated are test annually, while the CGU without goodwill allocated are tested for impairment when impairment indicators existed at the end of the reporting period.

Based on the impairment test, management concluded that there was impairment loss on intangible assets of approximately HK\$58,900,000 recognised during the year.

Management performed impairment test in respect of these non-financial assets with assistance of independent professional valuer. Identification of CGUs and the respective composition of the assets and liabilities allocated to the CGUs, and preparation of the recoverable amounts involved the use of significant management judgements with respect to the underlying assumptions.

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

#### Our response:

Our key procedures in relation to management's impairment test of non-financial assets 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 2023, the Group had gross trade receivables and gross contract assets of approximately HK\$222,113,000 and HK\$122,357,000 and provision for impairment of trade receivables and contract assets of approximately HK\$16,401,000 and HK\$2,290,000, 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 impairment loss of trade receivables of approximately HK\$5,635,000 and a net impairment loss of contract assets of approximately HK\$1,304,000 was made for the year ended 31 December 2023.

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.

## INDEPENDENT AUDITOR'S REPORT

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

## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Lo Ngai Hang**

Practising Certificate no. P04743

Hong Kong, 27 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December	
		2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	6	<b>314,840</b>	313,771
<b>Other income</b>	7	<b>716</b>	–
<b>Operating costs</b>			
Material costs	20	(48,061)	(70,689)
Depreciation of property, plant and equipment	16	(34,597)	(35,274)
Depreciation of right-of-use assets	18(b)	(1,717)	(1,856)
Expenses related to short-term leases	18(b)	(3,616)	(3,767)
Employee benefit expenses	8	(48,644)	(57,016)
Distribution expenses		(3,782)	(5,062)
Technical service fees		(143,062)	(124,217)
Research and development expenses		(23,663)	(15,619)
Entertainment and marketing expenses		(12,734)	(7,083)
Other expenses	10	(24,630)	(21,703)
Net (impairment loss)/reversal of impairment on financial assets	21	(5,635)	5,697
Net impairment loss on contract assets	22	(1,304)	(10)
Impairment loss on goodwill	17	(58,900)	–
Write-down of inventories to net realisable value	20	(2,066)	(4,040)
Other gains and losses, net	11	28,324	2,546
<b>Operating loss</b>		<b>(68,531)</b>	(24,322)
Finance income	12	3,458	4,773
Finance costs	12	(15,003)	(10,808)
Finance costs, net		(11,545)	(6,035)
Share of net profits of associates	31	8,669	3,639
<b>Loss before income tax expense</b>		<b>(71,407)</b>	(26,718)
Income tax expense	13	(3,330)	(822)
<b>Loss for the year</b>		<b>(74,737)</b>	(27,540)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December	
		2023 HK\$'000	2022 HK\$'000
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,193	(3,987)
Release of translation reserve upon disposal and deemed disposal of associates		(224)	485
Share of other comprehensive income of associates		75	1,855
<b>Other comprehensive income for the year, net of tax</b>		<b>2,044</b>	<b>(1,647)</b>
<b>Total comprehensive income for the year</b>		<b>(72,693)</b>	<b>(29,187)</b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(73,510)	(28,588)
Non-controlling interests		(1,227)	1,048
		<b>(74,737)</b>	<b>(27,540)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		(71,330)	(30,209)
Non-controlling interests		(1,363)	1,022
		<b>(72,693)</b>	<b>(29,187)</b>
<b>Loss per share attributable to owners of the Company during the year</b>			
<b>Loss per share – basic and diluted (HK cents)</b>	14	<b>(4.3)</b>	<b>(1.7)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	127,259	163,713
Intangible assets	17	26,756	85,656
Right-of-use assets	18	2,808	3,790
Financial asset at fair value through profit or loss ("FVTPL")	19(a)	8,493	6,170
Interests in associates	31	90,670	73,724
Other receivables and deposits	21(b)	398	37,370
		<b>256,384</b>	370,423
<b>Current assets</b>			
Inventories	20	21,060	12,860
Trade receivables	21(a)	205,712	220,653
Contract assets	22	120,067	107,673
Other receivables and deposits	21(b)	65,322	59,773
Prepayments	21(b)	11,857	12,071
Cash and cash equivalents	23	26,294	39,959
Restricted bank deposits	23	5,315	–
		<b>455,627</b>	452,989
<b>Current liabilities</b>			
Trade payables	24(a)	222,673	243,720
Other payables and accruals	24(b)	106,003	86,187
Contract liabilities	22	773	625
Lease liabilities	18	1,723	1,521
Bank and other borrowings	25	101,951	95,225
		<b>433,123</b>	427,278
<b>Net current assets</b>		<b>22,504</b>	25,711
<b>Total assets less current liabilities</b>		<b>278,888</b>	396,134

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current liabilities</b>			
Bank and other borrowings	25	85,110	132,126
Lease liabilities	18	1,169	2,273
Financial liabilities at FVTPL	19(b)	1,454	–
		<b>87,733</b>	134,399
<b>Net assets</b>			
		<b>191,155</b>	261,735
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	27	2,001,073	2,001,073
Other reserves	28	85,615	44,307
Accumulated losses		(1,899,859)	(1,789,334)
Equity attributable to owners of the Company		<b>186,829</b>	256,046
Non-controlling interests		<b>4,326</b>	5,689
<b>Total equity</b>			
		<b>191,155</b>	261,735

The consolidated financial statements on pages 85 to 182 were approved by the board of directors on 27 March 2024 and were signed on its behalf.

**Mr. Wang JinLong**  
Director

**Mr. Lin Jingyu**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total
	Share capital	Other reserves (Note 28)	Accumulated losses	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1 January 2023</b>	2,001,073	44,307	(1,789,334)	256,046	5,689	261,735
<b>Comprehensive income</b>						
Loss for the year	-	-	(73,510)	(73,510)	(1,227)	(74,737)
<b>Other comprehensive income</b>						
Currency translation differences	-	2,329	-	2,329	(136)	2,193
Release of translation reserve upon disposal and deemed disposal of associates	-	(224)	-	(224)	-	(224)
Share of other comprehensive income of associates	-	75	-	75	-	75
<b>Total comprehensive income for the year</b>	-	2,180	(73,510)	(71,330)	(1,363)	(72,693)
<b>Transactions with owners in their capacity as owners</b>						
Recognition of share-based payment (Note 29)	-	2,113	-	2,113	-	2,113
Transfer of warrant reserve upon expiry of warrants	-	(2,331)	2,331	-	-	-
Transfer of share-based payment reserve upon expiry of share options (Note 29)	-	(12,060)	12,060	-	-	-
Transfer of capital reserve upon deregistration of a subsidiary	-	51,406	(51,406)	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	39,128	(37,015)	2,113	-	2,113
<b>Balance at 31 December 2023</b>	2,001,073	85,615	(1,899,859)	186,829	4,326	191,155

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax expense		(71,407)	(26,718)
Adjustments for:			
Depreciation of property, plant and equipment	16	34,597	35,274
Depreciation of right-of-use assets	18(b)	1,717	1,856
Share-based payment	8	2,113	243
Net impairment loss/(reversal of impairment) on financial assets	21	5,635	(5,697)
Net impairment loss on contract assets	22	1,304	10
Accrued technical services fee	24(b)	16,158	–
Write-down of inventories to net realisable value	20	2,066	4,040
Impairment loss on goodwill	17	58,900	–
(Gain)/loss on disposals of property, plant and equipment	11	(4,798)	2,944
Fair value gain on financial asset at FVTPL	11	(2,431)	(131)
Fair value gain on financial liabilities at FVTPL	11	(171)	–
Gain on deregistration of financial asset at FVTPL	11	–	(19)
Loss on deregistration of a subsidiary	11	332	–
Gain on dilution of interests in associates	11	(10,318)	(374)
Gain on disposals of interests in associates	11	(3,645)	–
Net finance costs	12	11,545	6,035
Share of net profits of associates		(8,669)	(3,639)
<b>Operating profit before working capital changes</b>		<b>32,928</b>	<b>13,824</b>
Inventories		(10,397)	7,503
Trade receivables, other receivables and deposits, prepayments and contract assets		374	(82,848)
Trade payables, other payables and accruals and contract liabilities		(28,757)	94,247
Restricted bank deposits		(5,315)	–
<b>Cash (used in)/generated from operations</b>		<b>(11,167)</b>	<b>32,726</b>
Interest paid		(14,243)	(10,658)
Income tax paid		(3,298)	(3,010)
<b>Net cash (used in)/generated from operating activities</b>		<b>(28,708)</b>	<b>19,058</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(871)	(3,764)
Proceeds from disposal of property, plant and equipment	32(a)	5,482	20,805
Proceeds from disposal of interests in associates		8,949	–
Proceeds from deregistration of financial asset at FVTPL		–	2,245
Interest received		3,053	3,821
Withdrawal of pledged bank deposits		–	946
Loan advanced to related parties		(23,974)	(23,562)
Repayments of loan receivables from related parties		52,036	27,474
Advances to related parties		(1,070)	(746)
<b>Net cash generated from investing activities</b>		<b>43,605</b>	<b>27,219</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	32(c)	83,318	100,916
Repayments of borrowings (excluding bondholders' loans and bonds issued in 2020 ("2020 Bonds"))	32(c)	(121,705)	(117,614)
Repayments of bondholders' loans	32(c)	–	(12,000)
Repayment of principal portion of 2020 Bonds	32(c)	–	(3,750)
Principal elements of lease liabilities	32(c)	(1,638)	(2,059)
Advances from related parties	32(c)	10,532	6,001
<b>Net cash used in financing activities</b>		<b>(29,493)</b>	<b>(28,506)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14,596)</b>	<b>17,771</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>39,959</b>	<b>26,477</b>
Effect of foreign exchange rates changes		931	(4,289)
<b>Cash and cash equivalents at end of year</b>	23	<b>26,294</b>	<b>39,959</b>

# 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 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. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

### (a) Adoption of new and amended IFRSs – effective 1 January 2023

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

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*, the adoption of the above new and amended IFRSs did not have any significant impact on the preparation of these consolidated financial statements.

#### *Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”*

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. IAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

#### (a) Adoption of new and amended IFRSs – effective 1 January 2023 (Continued)

*Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies” (Continued)*

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 4 to the consolidated financial statements.

#### (b) Amended IFRSs that have been issued but are not yet effective

The following amended IFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

The Group is currently assessing the impact of these new amendments. The Group does not expect the above standards issued by the International Accounting Standard Board, but are yet to be effective, to have a material impact on the Group.

## 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### (c) Change in accounting policies

*New Hong Kong Institute of Certified Public Accountants (“HKICPA”) guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism*

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“**the Amendment Ordinance**”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) scheme to offset severance payment (“**SP**”) and long service payments (“**LSP**”) (“**the Abolition**”). Subsequently, the Government of Hong Kong Special Administrative Region announced that the Abolition will take effect on 1 May 2025 (“**the Transition Date**”).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the last month’s salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

Hong Kong Financial Reporting Standards have been converged with IFRSs. Accordingly, the accounting implications of the abolition of the MPF-LSP offsetting mechanism would have the same impact on consolidated financial statements with adoption of IFRSs.

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards and International Accounting Standards (“**IAS**”) and Interpretations (collectively “**IFRSs**”) 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 adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise judgment in applying the Group’s accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in Note 5 to the consolidated financial statements.

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

##### (i) Basis of measurement

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

##### (ii) Going concern assumption

The Group reported a net loss of approximately HK\$74,737,000 during the year ended 31 December 2023, and as of that date, the Group had total current bank and other borrowings of approximately HK\$101,951,000, while the Group only had cash and cash equivalents of approximately HK\$26,294,000.

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

## 3. BASIS OF PREPARATION (Continued)

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

#### (ii) Going concern assumption (Continued)

- (a) In January 2024 and March 2024, the Group has obtained and drawn down additional loan facilities with an aggregate amount of RMB46,390,000 from a bank located in the People's Republic of China (the "PRC") (Note 25(a)). The Group is also actively negotiating with the same bank for new loan facilities for the working capital needs of the Group for the oilfield and gas field projects in the PRC;
- (b) In March 2024, the Group has obtained a loan facility with an amount of RMB30,000,000 from a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. Subsequent to 31 December 2023, the Group has not drawn down such loan facility; and
- (c) Repayment from Star Petrotech Pte. Ltd. ("**Star Petrotech**"), a wholly-owned subsidiary of Petro-king Energy Technology (Huizhou) Co., Ltd. ("**Petro-king Huizhou**") of which Petro-king Huizhou is an associate of the Group, for a loan facility with outstanding principal amount of approximately US\$2,270,000 as at 31 December 2023 (Note 33(b)(i)). Subsequent to 31 December 2023, Star Petrotech has repaid US\$850,000 to the Group (Note 33(b)(i)).

In the opinion of the Directors, the Group will have sufficient financial resources to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through:

- (i) successfully obtaining new loan facilities from the bank located in the PRC to fund the working capital needs of the Group for the oilfield and gas field projects in the PRC;
- (ii) successfully drawing down the new loan facility from the relevant money lending company;
- (iii) repayment from Star Petrotech; and
- (iv) operations of the oilfield project tools and services based on the expected project schedules.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. BASIS OF PREPARATION (Continued)

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

##### (ii) Going concern assumption (Continued)

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

#### (c) Functional and presentation currency

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

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

### 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 POLICY INFORMATION (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.

### 4.3 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.

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 4.3 Associate (Continued)

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.

#### 4.4 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.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 4.4 Goodwill (Continued)

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.

### 4.5 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 POLICY INFORMATION (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 other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets other than goodwill 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. The Group tests annually whether goodwill has suffered any impairment (see Note 4.4).

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its CGUs.

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 POLICY INFORMATION (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 POLICY INFORMATION (Continued)

#### 4.8 Financial instruments (Continued)

##### (b) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables, financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income. 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 POLICY INFORMATION (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 POLICY INFORMATION (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 fair value through profit or loss 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, bank and other borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss 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 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. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and assembling materials and consumables comprise all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

### 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.

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (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 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 POLICY INFORMATION (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 POLICY INFORMATION (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 POLICY INFORMATION (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 POLICY INFORMATION (Continued)

#### 4.14 Employee benefits (Continued)

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

###### (ii) Mainland China

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

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

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

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

#### (a) Going concern consideration

As mentioned in Note 3(b)(ii), the Directors have prepared the consolidated financial statements for the year ended 31 December 2023 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the Directors at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering the next fifteen months from the end of reporting period and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern for the year ending 31 December 2024. Accordingly, the Directors consider that the Group have the capability to continue as a going concern.

#### (b) Estimated impairment of non-financial assets

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

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4.4. The recoverable amounts of CGUs have been determined based on the higher of value-in-use or fair value less costs of disposal, the determination of which require the use of estimates. Details of assumptions and inputs used are discussed in Note 16 and Note 17 to the consolidated financial statement.

### 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 judgment and estimation based on assumptions about risk of default and expected loss rates. In making this judgment and estimation, the Group evaluates, among other factors, the duration of receivables, financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Details of the assumptions and inputs used are discussed in Note 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 president and directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

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

The Group has two operating segments as follows:

Oilfield project tools and services	–	provision of oilfield technology services including drilling 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 2023 and 2022 is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from contract with customers within the scope of IFRS 15:		
Oilfield project tools and services		
– Production enhancement work	242,490	243,275
– Drilling work	20,393	25,110
– Well completion work	79	9,296
	<b>262,962</b>	277,681
Consultancy services		
– Integrated project management services	862	2,621
– Supervisory services	51,016	33,390
	<b>51,878</b>	36,011
	<b>314,840</b>	313,692
Revenue from other sources:		
Oilfield project tools and services		
– Rental services	–	79
Total revenue	<b>314,840</b>	313,771

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Revenue (Continued)

	2023 HK\$'000	2022 HK\$'000
Timing of revenue recognition within the scope of IFRS 15:		
– At a point in time	6,756	7,496
– Over time	308,084	306,196
	<b>314,840</b>	313,692
Revenue from other sources	–	79
	<b>314,840</b>	313,771

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment results

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

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>			
Revenue from external customers	262,962	51,878	314,840
Inter-segment revenue	–	–	–
<b>Total segment revenue</b>	<b>262,962</b>	<b>51,878</b>	<b>314,840</b>
Segment results	(59,506)	(38,244)	(97,750)
Net unallocated income			26,343
<b>Loss before income tax expense</b>			<b>(71,407)</b>
Other information:			
Depreciation of property, plant and equipment	(34,167)	–	(34,167)
Depreciation of right-of-use assets	(257)	–	(257)
Net impairment loss on financial assets (Note 21)	(4,933)	(702)	(5,635)
Net impairment loss on contract assets (Note 22)	(1,248)	(56)	(1,304)
Impairment loss on goodwill (Note 17)	–	(58,900)	(58,900)
Write-down of inventories to net realisable value (Note 20)	(2,066)	–	(2,066)
Finance costs	(9,587)	–	(9,587)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment results (Continued)

The segment results for the year ended 31 December 2022 are as follows:

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>			
Revenue from external customers	277,760	36,011	313,771
Inter-segment revenue	–	–	–
<b>Total segment revenue</b>	<b>277,760</b>	<b>36,011</b>	<b>313,771</b>
Segment results	(39,974)	20,461	(19,513)
Net unallocated expenses			(7,205)
<b>Loss before income tax expense</b>			<b>(26,718)</b>
Other information:			
Depreciation of property, plant and equipment	(34,881)	–	(34,881)
Depreciation of right-of-use assets	(268)	–	(268)
Net reversal of impairment on financial assets (Note 21)	5,697	–	5,697
Net impairment loss on contract assets (Note 22)	(10)	–	(10)
Write-down of inventories to net realisable value (Note 20)	(4,040)	–	(4,040)
Finance costs	(5,348)	–	(5,348)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment results (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Segment results	(97,750)	(19,513)
Depreciation of property, plant and equipment	(430)	(393)
Depreciation of right-of-use assets	(1,460)	(1,588)
Finance costs	(5,416)	(5,460)
Finance income	3,458	4,773
Other gains and losses, net	28,324	2,546
Share of net profits of associates	8,669	3,639
Other unallocated corporate expenses	(6,802)	(10,722)
<b>Consolidated loss before income tax expense</b>	<b>(71,407)</b>	<b>(26,718)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. REVENUE AND SEGMENT INFORMATION (Continued)

#### (c) Segment assets and segment liabilities

The segment assets and segment liabilities as at 31 December 2023 and 2022 are as follows:

	Oilfield project tools and services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>As at 31 December 2023</b>			
Segment assets	539,956	45,827	585,783
Unallocated assets			126,228
<b>Total assets</b>			<b>712,011</b>
Segment liabilities	431,703	5,176	436,879
Unallocated liabilities			83,977
<b>Total liabilities</b>			<b>520,856</b>
Total assets include:			
Additions to non-current assets (other than financial instruments)	458	–	458

## 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
<b>As at 31 December 2022</b>			
Segment assets	589,579	95,816	685,395
Unallocated assets			138,017
<hr/>			
Total assets			823,412
<hr/>			
Segment liabilities	461,670	564	462,234
Unallocated liabilities			99,443
<hr/>			
Total liabilities			561,677
<hr/>			
Total assets include:			
Additions to non-current assets (other than financial instruments)	80,679	806	81,485
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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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Segment assets for reportable segments	<b>585,783</b>	685,395
Unallocated assets		
– Property, plant and equipment	<b>3,108</b>	2,999
– Right-of-use assets	<b>2,309</b>	3,407
– Financial asset at FVTPL	<b>8,493</b>	6,170
– Interests in associates	<b>90,670</b>	73,724
– Other receivables, deposits and prepayments	<b>19,872</b>	51,712
– Cash and cash equivalents	<b>1,776</b>	5
<b>Total assets per consolidated statement of financial position</b>	<b>712,011</b>	823,412

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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Segment liabilities for reportable segments	<b>436,879</b>	462,234
Unallocated liabilities		
– Bank and other borrowings	<b>64,214</b>	77,700
– Lease liabilities	<b>2,371</b>	3,550
– Financial liabilities at FVTPL	<b>1,454</b>	–
– Other payables and accruals	<b>15,938</b>	18,193
<b>Total liabilities per consolidated statement of financial position</b>	<b>520,856</b>	561,677

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	2023 HK\$'000	2022 HK\$'000
The PRC	266,297	278,586
The Middle East	47,858	30,582
Others	685	4,603
	<b>314,840</b>	313,771

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

	2023 HK\$'000	2022 HK\$'000
The PRC	234,092	301,118
The Middle East	13,401	25,765
	<b>247,493</b>	326,883

#### (e) Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Customer A	166,897	217,315
Customer B	66,825	48,076
Customer C	45,880	n/a*

\* represents customer whose revenue is less than 10% of the total revenue of the Group of that year.

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

	2023 HK\$'000	2022 HK\$'000
Financial guarantee income	163	–
Rental income	108	–
Bad debts recovered	445	–
	<b>716</b>	–

### 8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and bonus	50,498	57,382
Pension costs	5,985	4,838
Share options granted to directors, senior management and employees ( <i>Note 29</i> )	2,113	243
Other staff benefits	4,546	3,074
Less: employee benefit expenses attributable for research and development	<b>(14,498)</b>	(8,521)
	<b>48,644</b>	57,016

As at 31 December 2023, there are no forfeited contributions available to offset future retirement benefit obligations of the Group (2022: 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 2023 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
<b>Executive director</b>							
Mr. Zhao JinDong	-	1,058	-	-	162	126	1,346
Mr. Huang Yu (Note (i))	-	144	-	-	-	12	156
Mr. Lin Jingyu* (Note (ii))	-	995	-	-	256	117	1,368
Ms. Zhou Sisi (Note (iii))	-	231	-	-	-	59	290
<b>Non-executive director</b>							
Mr. Wang JinLong (Note (iv))	-	360	-	-	-	18	378
Mr. Wong Shiu Kee (Note (v))	-	310	-	-	-	-	310
<b>Independent non-executive director</b>							
Mr. Leung Lin Cheong	-	240	-	-	13	-	253
Mr. Xin Junhe	-	153	-	-	13	-	166
Mr. Zhang Dawei (Note (vi))	-	153	-	-	13	-	166
	-	3,644	-	-	457	332	4,433

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2022 is set out below:

Name	Fee HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>Executive director</b>							
Mr. Zhao JinDong	-	1,073	35	-	-	136	1,244
Mr. Huang Yu	-	846	-	-	185	35	1,066
<b>Non-executive director</b>							
Mr. Wang JinLong (Note (iv))	-	360	-	-	-	18	378
Mr. Wong Shiu Kee	-	240	-	-	-	-	240
<b>Independent non-executive director</b>							
Mr. Tong Hin Wor (Note (vii))	-	77	-	-	-	-	77
Mr. Leung Lin Cheong	-	240	-	-	-	-	240
Mr. Xin Junhe	-	153	-	-	-	-	153
Mr. Zhang Dawei (Note (vi))	-	77	-	-	-	-	77
	-	3,066	35	-	185	189	3,475

\* 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 2023 and 2022, 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 (2022: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: 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 2023 and 2022.

## 9. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

Notes:

- (i) Deceased on 4 March 2023.
- (ii) Appointed as an executive Director and the chief executive officer on 22 March 2023.
- (iii) Appointed as an executive Director on 20 December 2023.
- (iv) Redesignated from an executive Director to a non-executive Director on 1 January 2022.
- (v) Resigned as a non-executive Director on 29 December 2023.
- (vi) Appointed as an independent non-executive Director on 30 June 2022.
- (vii) Resigned as an independent non-executive Director on 30 June 2022.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) director and one (2022: one) director and chief executive officer whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salary	2,928	3,158
Employer's contribution to pension scheme	222	254
Share-based payment	290	58
	<b>3,440</b>	<b>3,470</b>

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emoluments band		
– Nil to HK\$1,000,000	2	1
– HK\$1,000,001 – HK\$1,500,000	1	2
	<b>3</b>	<b>3</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration		
– Audit service	2,150	2,150
– Non-audit services	250	530
Communication	666	594
Professional service fees	4,683	8,980
Motor vehicle expenses	829	239
Travelling	9,119	6,433
Insurance	463	361
Office utilities	1,052	903
Other taxes	2,535	479
Bank charges	122	116
Others	4,896	3,583
Less: other expenses attributable for research and development	(2,135)	(2,665)
	<b>24,630</b>	<b>21,703</b>

### 11. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Gain/(loss) on disposals of property, plant and equipment (Note 32(a))	4,798	(2,944)
Gain on dilution of interests in associates (Note 31)	10,318	374
Gain on disposals of interests in associates (Note 31)	3,645	–
Loss on deregistration of a subsidiary	(332)	–
Fair value gain on financial asset at FVTPL	2,431	131
Fair value gain on financial liabilities at FVTPL	171	–
Gain on deregistration of financial asset at FVTPL	–	19
Government grant (Note)	6,308	4,511
Foreign exchange gains, net	1,548	305
Others	(563)	150
	<b>28,324</b>	<b>2,546</b>

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 laws and regulations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. FINANCE INCOME AND COSTS

	2023 HK\$'000	2022 HK\$'000
Interest income from bank deposits	49	53
Interest income from related parties	2,875	3,768
Interest income from others	534	952
<b>Finance income</b>	<b>3,458</b>	<b>4,773</b>
Interest expenses:		
– Bank and other borrowings	(14,753)	(10,235)
– 2020 Bonds	–	(403)
– Lease liabilities (Note 18)	(250)	(170)
<b>Finance costs</b>	<b>(15,003)</b>	<b>(10,808)</b>
<b>Finance costs, net</b>	<b>(11,545)</b>	<b>(6,035)</b>

### 13. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax – PRC corporate income tax	21	925
– Under/(over) provision in prior year	232	(103)
	<b>253</b>	<b>822</b>
Overseas withholding tax	3,077	–
<b>Income tax expense</b>	<b>3,330</b>	<b>822</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. INCOME TAX EXPENSE (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Loss before income tax expense	<b>(71,407)</b>	(26,718)
Tax calculated at domestic tax rates applicable to loss in the respective entities	<b>(9,870)</b>	(651)
Tax effect of share of net profits of associates	<b>(2,646)</b>	(910)
Tax effect of income not subject to tax	<b>(3,342)</b>	(1,327)
Tax effect of expenses not deductible for tax purposes	<b>12,363</b>	3,409
Tax effect of temporary differences not recognised	<b>(533)</b>	(1,426)
Tax effect of previously unrecognised tax loss utilised	<b>(746)</b>	(2,294)
Tax effect of tax losses for which no deferred tax assets was recognised	<b>4,795</b>	4,124
Under/(over) provision in prior year	<b>232</b>	(103)
Overseas withholding tax	<b>3,077</b>	–
Income tax expense	<b>3,330</b>	822

#### (a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2022: 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% (2022: 25%) except two (2022: one) of these subsidiaries as discussed below.

For the year ended 31 December 2023, Petro-king Oilfield Technology Limited ("Petro-king Oilfield") and Petro-king (Chongqing) Oil & Gas Engineering Technology Service Ltd. 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% (2022: 15%) from 2022 to 2024 and from 2023 to 2025 respectively. The High and New Technological Enterprise qualification is subjected to be renewed every three years.

### 13. INCOME TAX EXPENSE (Continued)

#### (c) Overseas withholding tax

Overseas withholding tax was calculated at rates ranging from 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. LOSS PER SHARE

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

	2023	2022
Loss for the year attributable to owners of the Company (HK\$'000)	<b>(73,510)</b>	(28,588)
Weighted average number of ordinary shares (Number of shares in thousand)	<b>1,726,674</b>	1,726,674
Basic and diluted loss per share (HK cent(s))	<b>(4.3)</b>	(1.7)

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

Diluted loss per share for the year ended 31 December 2023 was the same as basic loss per share since all potential ordinary shares are anti-dilutive (2022: Same) as the conversion of potential ordinary shares in relation to the share options (2022: share options and warrants) have an anti-dilutive effect to the basic loss per share.

### 15. DIVIDEND

For the year ended 31 December 2023, no interim dividend was declared by the Company to its shareholders (2022: Nil).

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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	Construction in-progress HK\$'000	Total HK\$'000
<b>At 31 December 2021</b>						
Cost	485,152	8,726	3,320	7,208	–	504,406
Accumulated depreciation and impairment	(331,006)	(6,798)	(2,906)	(6,110)	–	(346,820)
Net book amount	154,146	1,928	414	1,098	–	157,586
<b>Year ended 31 December 2022</b>						
Opening net book amount	154,146	1,928	414	1,098	–	157,586
Additions	78,252	271	–	20	515	79,058
Depreciation	(34,919)	(324)	(26)	(5)	–	(35,274)
Disposals (Note 32(a))	(23,594)	(66)	(65)	(24)	–	(23,749)
Exchange differences	(13,683)	(189)	(27)	(9)	–	(13,908)
Closing net book amount	160,202	1,620	296	1,080	515	163,713
<b>At 31 December 2022</b>						
Cost	483,799	8,117	2,468	7,026	515	501,925
Accumulated depreciation and impairment	(323,597)	(6,497)	(2,172)	(5,946)	–	(338,212)
Net book amount	160,202	1,620	296	1,080	515	163,713
<b>Year ended 31 December 2023</b>						
Opening net book amount	160,202	1,620	296	1,080	515	163,713
Asset transfer	–	–	–	515	(515)	–
Additions	458	335	78	–	–	871
Depreciation	(34,123)	(394)	(31)	(49)	–	(34,597)
Disposals (Note 32(a))	(371)	(218)	(78)	(17)	–	(684)
Exchange differences	(2,011)	(29)	(4)	–*	–	(2,044)
Closing net book amount	124,155	1,314	261	1,529	–	127,259
<b>At 31 December 2023</b>						
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

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

### 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2023, machineries with carrying amount of approximately HK\$73,070,000 (2022: HK\$84,652,000) 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 2023, 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 assesses the recoverable amounts of the property, plant and equipment and other assets attributable to the CGU and concluded that the recoverable amounts of the CGU were higher than its carrying amounts. No provision for impairment was made on property, plant and equipment of the Group for the year.

As at 31 December 2023, the recoverable amount of the CGU related to operations of oilfield project tools and services have been determined based on value-in-use calculations, 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 CGUs where the existing CGUs 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 5%. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 3%, 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 14%.

For the year ended 31 December 2022, 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 assesses the recoverable amounts of the property, plant and equipment and other assets attributable to the CGU and concluded that the recoverable amounts of the CGU were higher than its carrying amounts. No provision for impairment was made on property, plant and equipment of the Group for the year.

As at 31 December 2022, the recoverable amount of the CGU related to operations of oilfield project tools and services have been determined based on value-in-use calculations, 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 CGUs where the existing CGUs 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 6%. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 5%, 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 16%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. INTANGIBLE ASSETS

	Goodwill – Oilfield project tools and services HK\$'000	Goodwill – Consultancy services HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>At 1 January 2023</b>				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(9,800)	(8,213)	(442,825)
Net book amount	–	85,656	–	85,656
<b>Year ended 31 December 2023</b>				
Opening net book amount	–	85,656	–	85,656
Impairment	–	(58,900)	–	(58,900)
Closing net book amount	–	26,756	–	26,756
<b>At 31 December 2023</b>				
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. INTANGIBLE ASSETS (Continued)

	Goodwill – Oilfield project tools and services HK\$'000	Goodwill – Consultancy services HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(9,800)	(8,213)	(442,825)
Net book amount	–	85,656	–	85,656
<b>Year ended 31 December 2022</b>				
Opening and closing net book amount	–	85,656	–	85,656
<b>At 31 December 2022</b>				
Cost	424,812	95,456	8,213	528,481
Accumulated amortisation and impairment	(424,812)	(9,800)	(8,213)	(442,825)
Net book amount	–	85,656	–	85,656

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2023 and 2022 are as follows:

##### Consultancy services

	Year ended 31 December	
	2023	2022
Compound annual growth rate	-23%	5%
Pre-tax discount rate	14%	16%
Terminal growth rate	3%	3%

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

The compound annual growth rate was derived from the annual revenue growth rates which ranged -53% in 2024, -41% in 2025 and 0% from 2026 to 2028, and were 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. As at the end of the reporting period, the Group expected that there will be material decrease in the scale of the Group's consultancy services provided in the Middle East as one of the existing contracts for the consultancy services will be completed in the first quarter of 2024 and is not expected to be renewed. Therefore, the management revised and adjusted downwards the next five-year revenue in the financial budgets.

The discount rate used is pre-tax and reflects 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 2023, 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 as a result the recoverable amount of the CGU was approximately HK\$42,417,000. The impairment loss shall be allocated first to reduce the carrying amount of the goodwill allocated to the CGU and accordingly, an impairment loss of goodwill of approximately HK\$58,900,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (2022: Nil).

As at 31 December 2022, the recoverable amount of the CGU related to consultancy services had been determined based on value-in-use calculation, which 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 has performed sensitivity analysis over the consultancy services. There will not be any headroom in 2022 against the goodwill in the consultancy services if the pre-tax discount rate had been 2.10 percentage points higher than the management's estimates or the average annual growth rate of revenue had been 1.52 percentage points lower than management's estimates, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. LEASES

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

	2023 HK\$'000	2022 HK\$'000
<b>Right-of-use assets</b>		
Properties leases	2,808	3,790
<b>Lease liabilities</b>		
Current	1,723	1,521
Non-current	1,169	2,273
	<b>2,892</b>	<b>3,794</b>

For the year ended 31 December 2023, additions to right-of-use assets were approximately HK\$379,000 (2022: HK\$437,000).

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

		Year ended 31 December	
	Note	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets			
Properties leases		1,717	1,856
Interest expenses (included in finance costs)	12	250	170
Expenses related to short-term leases		3,616	3,767

For the year ended 31 December 2023, the total cash outflow for leases were approximately HK\$5,504,000 (2022: HK\$5,907,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

	2023 HK\$'000	2022 HK\$'000
Listed equity investment in the PRC – non-current ( <i>Note</i> )	8,493	6,170

*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 with no quoted transaction price since then.

As at 31 December 2023 and 2022, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (b) Financial liabilities

	2023 HK\$'000	2022 HK\$'000
Buy-back options – non-current ( <i>Note</i> )	1,454	–

*Note:*

As set out in Note 31, the Group has disposed of certain equity interest of Petro-king Huizhou during the year of which the Group has granted certain buy-back options to the relevant purchasers, such that the relevant purchasers have the right to request the Group to buy back the equity interest in Petro-king Huizhou held by themselves 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 options would be classified as financial liabilities at FVTPL. Further details are set out in the Company's announcement dated 18 July 2023 and 2 January 2024.

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

	2023 HK\$'000	2022 HK\$'000
Assembling materials and consumables	31,518	19,936
Finished goods	953	2,173
Inventories	32,471	22,109
Less: Inventories write-down ( <i>Note</i> )	(11,411)	(9,249)
Inventories – net	21,060	12,860

For the year ended 31 December 2023, the cost of inventories recognised as expense and included in "material costs" amounted to approximately HK\$48,061,000 (2022: HK\$70,689,000).

*Note:*

For the year ended 31 December 2023, inventories write-down amounted to approximately HK\$2,066,000 (2022: HK\$4,040,000) had been included in "Write-down of inventories to net realisable value".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

#### (a) Trade receivables

	2023 HK\$'000	2022 HK\$'000
Trade receivables	222,113	236,554
Less: provision for impairment of trade receivables	(16,401)	(15,901)
<b>Trade receivables – net</b>	<b>205,712</b>	<b>220,653</b>

As at 31 December 2023, bank borrowings were secured by the trade receivables of a subsidiary of the Group of approximately HK\$108,882,000 (2022: HK\$149,958,000) (Note 25(a)).

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:

	2023 HK\$'000	2022 HK\$'000
Up to 3 months	153,644	203,191
3 to 6 months	17,466	2,098
6 to 12 months	28,328	11,745
Over 12 months	22,675	19,520
<b>Trade receivables – gross</b>	<b>222,113</b>	<b>236,554</b>

## 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:

	2023 HK\$'000	2022 HK\$'000
At 1 January	15,901	18,710
Provision for impairment loss	11,372	9,585
Reversal of provision	(5,737)	(11,140)
Written off	(5,003)	–
Exchange differences	(132)	(1,254)
At 31 December	16,401	15,901

For the year ended 31 December 2023, the net impairment loss on trade receivables had been included in "net (impairment loss)/reversal of impairment on financial assets" amounted to approximately HK\$5,635,000 (2022: net reversal of impairment of HK\$1,555,000).

For the year ended 31 December 2023, management has written off trade receivables from certain customers which have been previously fully provided of approximately HK\$5,003,000 (2022: 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:

	2023 HK\$'000	2022 HK\$'000
United States dollar ("US\$")	15,897	11,035
Chinese Renminbi ("RMB")	189,815	209,618
	205,712	220,653

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2023 HK\$'000	2022 HK\$'000
Other receivable, deposits and prepayments	111,549	143,122
Less: provision for impairment of other receivables	(33,972)	(33,908)
Other receivables, deposits and prepayments, net	77,577	109,214
	2023 HK\$'000	2022 HK\$'000
<b>Other receivables and deposits:</b>		
Deposits and other receivables – third parties (Note)	21,880	24,311
Loan receivables from related parties (Note 33(b))	17,742	46,030
Other receivables from related parties (Note 33(b))	864	42
Amounts due from non-controlling interests	309	1,472
Value-added tax recoverable	21,902	21,242
Rental deposits	1,593	1,414
Cash advances to staff	1,155	2,359
Receivables from disposal of a subsidiary in prior years	275	273
	65,720	97,143
Less: Non-current portion		
Loan receivables from related parties	–	(37,070)
Rental deposits	(398)	(300)
Non-current portion	(398)	(37,370)
Current portion	65,322	59,773
<b>Prepayments:</b>		
Prepayments for materials	11,857	12,071
Current portion	11,857	12,071

Note:

Included in the balance of approximately HK\$7,256,000 (2022: HK\$6,717,000) represented a loan granted to an independent third-party bearing interest at fixed rate of 8% (2022: 8%) per annum and repayable within 1 year (2022: 1 year).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

For the year ended 31 December 2023, the Group applied the expected credit loss model and no provision for impairment loss (2022: reversal of impairment of approximately HK\$4,142,000) 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:

	2023 HK\$'000	2022 HK\$'000
RMB	38,242	56,347
HK\$	1,123	2,280
US\$	26,355	38,516
	<b>65,720</b>	97,143

### 22. CONTRACT ASSETS/(LIABILITIES)

	2023 HK\$'000	2022 HK\$'000
Contract assets	122,357	108,659
Less: provision for impairment of contract assets	(2,290)	(986)
Contract assets, net	<b>120,067</b>	107,673
Contract liabilities	<b>(773)</b>	(625)

For the year ended 31 December 2023, the Group applied the expected credit loss model and resulted in the net impairment loss on contract assets amounted to approximately HK\$1,304,000 (2022: HK\$10,000), which had been included in "net impairment loss on contract assets".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. CONTRACT ASSETS/(LIABILITIES) (Continued)

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.

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	492	26

### 23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2023 HK\$'000	2022 HK\$'000
<b>Cash and cash equivalents:</b>		
Cash at bank	26,294	39,958
Cash on hand	—*	1
	<b>26,294</b>	<b>39,959</b>
<b>Restricted bank deposits</b>	<b>5,315</b>	<b>—</b>
	<b>31,609</b>	<b>39,959</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (Continued)

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

	2023 HK\$'000	2022 HK\$'000
RMB	23,572	39,178
US\$	8,005	745
HK\$	31	35
Others	1	1
	<b>31,609</b>	<b>39,959</b>

As at 31 December 2023, the Group had cash at bank and on hand amounting to approximately HK\$22,081,000 (2022: HK\$39,097,000) which were denominated in RMB (2022: RMB and US\$) 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 2023, a bank account of the Group with balance of approximately RMB4,817,000 (equivalent to approximately HK\$5,315,000) has 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, the balance of the relevant frozen bank account has been increased to approximately RMB7,369,000.

Apart from abovementioned, in February 2024 and as of the date of this report, another bank account of the Group with balance of approximately RMB2,000 has further been frozen.

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

#### (a) Trade payables

	2023 HK\$'000	2022 HK\$'000
Trade payables (Note (i))	222,673	243,720

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (a) Trade payables (Continued)

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Up to 3 months	<b>80,910</b>	120,492
3 to 6 months	<b>27,121</b>	24,697
6 to 12 months	<b>43,153</b>	30,429
Over 12 months	<b>71,489</b>	68,102
	<b>222,673</b>	243,720

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
RMB	<b>183,531</b>	205,798
HK\$	<b>27,623</b>	24,219
US\$	<b>11,519</b>	13,703
	<b>222,673</b>	243,720

Note:

- (i) Included in the trade payable of approximately HK\$13,759,000 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) and after consultation with the PRC legal advisor, the Directors considered the respective accrued technical service fees provided were adequate as at 31 December 2023. Details of which are set out in Note 38.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (b) Other payables and accruals

	2023 HK\$'000	2022 HK\$'000
Other payables – third parties	49,759	57,619
Other payables – staff related expenses	6,958	6,554
Accrued payroll and welfare	6,317	6,571
Accrued technical service fees (Note 24(a)(i))	16,158	–
Government grant	–	4,180
Other payables – related parties (Note 33(b))	16,442	6,068
Other tax and surcharge payables	9,894	5,122
Interest payable	475	73
	<b>106,003</b>	86,187

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

	2023 HK\$'000	2022 HK\$'000
RMB	79,563	45,544
HK\$	12,619	29,075
US\$	13,821	11,568
	<b>106,003</b>	86,187

### 25. BANK AND OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
<b>Non-current</b>		
Other borrowings (Note b)	85,110	132,126
	<b>85,110</b>	132,126
<b>Current</b>		
Bank borrowings (Note a)	60,615	58,132
Other borrowings (Note b)	41,336	37,093
	<b>101,951</b>	95,225
	<b>187,061</b>	227,351

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. BANK AND OTHER BORROWINGS (Continued)

#### (a) Bank borrowings

As at 31 December 2023, bank borrowings bore average borrowing rate of 5.7% (2022: 6.1%).

As at 31 December 2023 and 2022, the Group's bank borrowings were repayable as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Current:</b>		
Secured interest-bearing bank borrowings		
Repayable within one year or contain a repayment		
on demand clause	<b>60,615</b>	58,132

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

As at 31 December 2023, the Group's bank borrowings were all secured (2022: Same). The Group is in compliance with all banking facilities.

The carrying amounts of the Group's bank borrowings are denominated in RMB for the year ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, banking facilities of approximately HK\$60,615,000 (2022: HK\$58,132,000) were granted by a bank located in the PRC to a subsidiary of the Group, of which approximately HK\$60,615,000 (2022: HK\$58,132,000) have been utilised by the Group during the year. The Group has no undrawn banking facilities as at 31 December 2023 (2022: Nil). The facilities are secured by trade receivables of the Group of approximately HK\$108,882,000 (2022: HK\$149,958,000) (Note 21(a)).

Subsequent to 31 December 2023, in January 2024 and March 2024, the Group has obtained and drawn down additional loan facilities with an aggregate amount of RMB46,390,000 (equivalent to approximately HK\$51,191,000) from the same bank maturing in January 2025 and March 2025 respectively.

## 25. BANK AND OTHER BORROWINGS (Continued)

### (b) Other borrowings

	2023 HK\$'000	2022 HK\$'000
<b>Non-current</b>		
Term loan (Note (i))	40,200	59,700
Instalment loans (Note (ii))	44,910	63,134
Employees' loan (Note (iii))	–	9,292
	<b>85,110</b>	<b>132,126</b>
<b>Current</b>		
Term loan (Note (i))	18,000	18,000
Instalment loans (Note (ii))	17,322	16,630
Employees' loan (Note (iii))	5,242	224
Independent lender's loan (Note (iv))	772	2,239
	<b>41,336</b>	<b>37,093</b>
	<b>126,446</b>	<b>169,219</b>

Notes:

- (i) Balances represented a two-year term loan with an initial principal amount of HK\$140,000,000 which is denominated in HK\$ and bearing interest at 5.5% per annum.

On 11 December 2023, the Group has successfully entered into a supplemental agreement with the relevant lender to whom the Group owed an outstanding principal loan amount of HK\$58,200,000 as of the same date, which bore interest at 5.5% per annum. Pursuant to the supplemental agreement, the remaining outstanding principal amount would be repaid by monthly instalments of HK\$1,500,000 on the last day of each month from January 2024 to November 2025, with a final instalment of HK\$23,700,000 to be repaid on 31 December 2025.

- (ii) As at 31 December 2023, balances represented certain five-year instalment loans which are denominated in RMB with RMB19,865,000 (equivalent to approximately HK\$21,920,000) (2022: HK\$27,120,000) maturing in September 2027 and RMB33,108,000 (equivalent to approximately HK\$36,534,000) (2022: HK\$45,200,000) maturing in December 2027 respectively, bearing interest at 6% per annum. The loans were utilised for the purpose of acquiring machineries for the Group's operation and are secured by the corresponding machineries acquired (Note 16).

Apart from abovementioned, the remaining balance comprised a two-year instalment loan which is denominated in RMB with RMB3,423,000 (equivalent to approximately HK\$3,778,000) (2022: HK\$7,444,000) maturing in December 2024, bearing interest at 6% per annum. The loan was utilised for financing for the Group's operation and are secured by existing machineries acquired in previous years (Note 16).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. BANK AND OTHER BORROWINGS (Continued)

#### (b) Other borrowings (Continued)

Notes: (Continued)

- (iii) Balances represented various employee loan agreements denominated in RMB with an aggregate amount of RMB4,750,000 (equivalent to approximately HK\$5,242,000) for a term ranged from March to June 2024. Such facilities are unsecured and bear interest at 15% per annum.
- (iv) Balances represented a one-year term loan denominated in RMB with the principal amount of RMB700,000 (equivalent to approximately HK\$772,000). Such facility is unsecured and bears interest at 15% per annum.

In March 2024, the Group has obtained another revolving term loan facility which is denominated in RMB with RMB30,000,000 (equivalent to HK\$33,105,000) from a money lending company established in the PRC which is beneficially owned by a shareholder of the Company. The loan facility is unsecured and bears interest at 7% per annum, and all outstanding balances shall be repaid on or before 14 March 2027. Subsequent to 31 December 2023, the Group has not drawn down such loan facility.

### 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\$309,098,000 (2022: HK\$246,239,000). Unrecognised tax losses of approximately HK\$116,849,000 (2022: HK\$103,123,000) have no expiry date for Hong Kong incorporated subsidiaries. The remaining tax losses will expire at various dates up to and including 2028 (2022: 2027) for PRC established subsidiaries except for Petro-king Oilfield, which is authorised as a High and New Technological Enterprise, will have the remaining tax losses expiring at various dates up to and including 2033 (2022: 2032).

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 2023 and 2022, 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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,726,674	2,001,073

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. OTHER RESERVES

	Translation reserve HK\$'000	Statutory reserve HK\$'000	Warrant reserve HK\$'000	Share-based payment reserve HK\$'000	Capital reserve HK\$'000	Transactions with non- controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2023</b>	32,766	23,867	2,331	14,424	(51,406)	22,325	44,307
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign operations	2,329	-	-	-	-	-	2,329
Release of translation reserve upon disposal and deemed disposal of associates	(224)	-	-	-	-	-	(224)
Share of other comprehensive income of associates	75	-	-	-	-	-	75
<b>Total other comprehensive income for the year</b>	<b>2,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,180</b>
<b>Transactions with owners in their capacity as owners</b>							
Recognition of share-based payment (Note 29)	-	-	-	2,113	-	-	2,113
Transfer of warrant reserve upon expiry of warrants	-	-	(2,331)	-	-	-	(2,331)
Transfer of share-based payment reserve upon expiry of share options (Note 29)	-	-	-	(12,060)	-	-	(12,060)
Transfer of capital reserve upon deregistration of a subsidiary	-	-	-	-	51,406	-	51,406
<b>Total transactions with owners, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(2,331)</b>	<b>(9,947)</b>	<b>51,406</b>	<b>-</b>	<b>39,128</b>
<b>Balance at 31 December 2023</b>	<b>34,946</b>	<b>23,867</b>	<b>-</b>	<b>4,477</b>	<b>-</b>	<b>22,325</b>	<b>85,615</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. OTHER RESERVES (Continued)

	Translation reserve HK\$'000	Statutory reserve HK\$'000	Warrant reserve HK\$'000	Share-based payment reserve HK\$'000	Capital reserve HK\$'000	Transactions with non- controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2022</b>	34,387	23,867	2,331	42,713	(51,406)	22,325	74,217
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign operations	(3,961)	-	-	-	-	-	(3,961)
Release of translation reserve upon deemed disposal of associates	485	-	-	-	-	-	485
Share of other comprehensive income of associates	1,855	-	-	-	-	-	1,855
<b>Total other comprehensive income for the year</b>	(1,621)	-	-	-	-	-	(1,621)
<b>Transactions with owners in their capacity as owners</b>							
Recognition of share-based payment (Note 29)	-	-	-	243	-	-	243
Transfer of share-based payment reserve upon expiry of share options (Note 29)	-	-	-	(28,532)	-	-	(28,532)
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	(28,289)	-	-	(28,289)
<b>Balance at 31 December 2022</b>	32,766	23,867	2,331	14,424	(51,406)	22,325	44,307

## 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 Mainland China, it is required to allocate at least 10% of their after-tax profit according to the PRC accounting standard and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into registered capital in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

#### (c) Warrant reserve

On 28 March 2020, the Company has entered into subscription agreements with the bondholders of 2020 Bonds agreeing to redeem the outstanding convertible bonds issued in 2019. Pursuant to the subscription agreements, the Company issued 120,000,000 unlisted warrants to holders of 2020 Bonds. The contractual exercise prices of the warrants are HK\$0.12 per subscription share. During the year, no warrants have been exercised and the warrants had been expired on 31 March 2023.

#### (d) Share-based payment reserve

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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. Details of share options granted under the Share Option Scheme are as follows:

	Share options by grant date			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Number of ordinary shares issued upon exercise:				
– Directors	6,000,000	–	17,000,000	25,500,000
– Employees and senior managements	62,000,000	5,000,000	–	49,000,000
– Others	–	–	–	500,000
Exercise price	HK\$0.529	HK\$0.326	HK\$0.1922	HK\$0.075
Contractual option term	Seven years	Seven years	Seven years	Ten years
Expiry date	25 October 2023	15 August 2025	30 May 2026 (Note)	9 January 2033 (Note)

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.

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

*Note:*

Regarding the share options granted to Mr. Huang Yu (deceased on 4 March 2023), the Directors had 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 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			
	26 October 2016	16 August 2018	31 May 2019	10 January 2023
Range of fair value of options granted (HK\$)	0.188-0.247	0.143-0.163	0.080-0.095	0.037-0.049
Share price at the grant date (HK\$)	0.520	0.32	0.183	0.075
Expected volatility (Note)	47.97%	49.45%	53.41%	78.5%
Expected option life	7 years	7 years	7 years	10 years
Dividend yield	Nil	Nil	Nil	Nil
Annual risk-free interest rate	0.75%	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2023 are as follows:

	Exercise price per share option	Number of share options			
		As at 1 January 2023	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2023
<b>Grant date</b>					
26 October 2016	0.529	26,400,000	–	(26,400,000)	–
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	–	75,000,000	(1,000,000)	74,000,000
		<b>48,400,000</b>	<b>75,000,000</b>	<b>(27,400,000)</b>	<b>96,000,000</b>
Weighted average exercise price (HK\$)					
<b>Grant date</b>					
26 October 2016		0.529	–	0.529	N/A
16 August 2018		0.326	–	–	0.326
31 May 2019		0.1922	–	–	0.1922
10 January 2023		–	0.075	0.075	0.075

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2022 are as follows:

	Exercise price per share option	Number of share options			
		As at 1 January 2022	Granted during the year	Forfeited, lapsed or expired during the year	As at 31 December 2022
<b>Grant date</b>					
29 May 2015	1.2132 (adjusted)	18,108,905	–	(18,108,905)	–
26 October 2016	0.529	26,400,000	–	–	26,400,000
16 August 2018	0.326	5,000,000	–	–	5,000,000
31 May 2019	0.1922	17,000,000	–	–	17,000,000
		66,508,905	–	(18,108,905)	48,400,000

Weighted average exercise price (HK\$)

Grant date				
29 May 2015	1.2132	–	1.2132	N/A
26 October 2016	0.529	–	–	0.529
16 August 2018	0.326	–	–	0.326
31 May 2019	0.1922	–	–	0.1922

No share options have been exercised by the option holders during the years ended 31 December 2023 and 2022.

During the year ended 31 December 2023, share-based payment expense of approximately HK\$2,113,000 (2022: HK\$243,000) (Note 8) for the Share Option Scheme was recognised in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2023, share options previously granted of approximately HK\$12,060,000 (2022: HK\$28,532,000) has been transferred from share-based payment reserve to accumulated losses upon the expiry of the share options.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Statement of financial position

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	344,449	410,303
<b>Current assets</b>		
Other receivables and prepayments	–	263
Cash and cash equivalents	2	3
	2	266
<b>Current liabilities</b>		
Other payables and accruals	108,138	78,562
Borrowings	18,000	18,000
	126,138	96,562
<b>Net current liabilities</b>	(126,136)	(96,296)
<b>Total assets less current liabilities</b>	218,313	314,007
<b>Non-current liabilities</b>		
Borrowings	40,200	59,700
	40,200	59,700
<b>Net assets</b>	178,113	254,307
<b>EQUITY</b>		
Share capital	2,001,073	2,001,073
Other reserves	4,477	16,755
Accumulated losses	(1,827,437)	(1,763,521)
<b>Total equity</b>	178,113	254,307

The statement of financial position of the Company was approved by the board of directors on 27 March 2024 and was signed on its behalf.

**Mr. Wang JinLong**  
Director

**Mr. Lin Jingyu**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Reserve movement of the Company

	Share-based payment reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000
<b>At 1 January 2022</b>	42,713	2,331	(1,757,253)
Loss for the year	–	–	(34,800)
Recognition of share-based payment	243	–	–
Transfer of share-based payment reserve upon expiry of share options	(28,532)	–	28,532
<b>At 31 December 2022</b>	14,424	2,331	(1,763,521)
<b>At 1 January 2023</b>	<b>14,424</b>	<b>2,331</b>	<b>(1,763,521)</b>
Loss for the year	–	–	(78,307)
Recognition of share-based payment	2,113	–	–
Transfer of warrant reserve upon expiry of warrants	–	(2,331)	2,331
Transfer of share-based payment reserve upon expiry of share options	(12,060)	–	12,060
<b>At 31 December 2023</b>	<b>4,477</b>	<b>–</b>	<b>(1,827,437)</b>

### 31. INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Share of net assets other than goodwill	90,565	73,603
Goodwill	105	121
	<b>90,670</b>	73,724
Loan receivables from associates (Note 33(b))	17,742	46,030
Amounts due from associates (Note 33(b))	834	42
Amounts due to associates (Note 33(b))	15,884	5,954

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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(惠州)有限公司 (Petro-king Huizhou)	Limited liability company	The PRC	28.4469% (2022: 32.7321%)	Research & development of Petroleum engineering equipment and repair and maintenance of drilling, well completion equipment and Petroleum engineering equipment. Imports, exports, wholesale and deputize petroleum engineering equipment
百勤石油技術(惠州) 有限公司 (Petro-king Oil Technology (Huizhou) Co., Ltd.) ("Petro-king Technology") #	Limited liability company	The PRC	28.4469% (2022: 32.7321%)	Provision of oilfield tools and equipment technology services and research and development in the PRC
Star Petrotech #	Limited liability company	Singapore	28.4469% (2022: 32.7321%)	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	28.4469% (2022: 32.7321%)	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 Huizhou

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

### 31. INTERESTS IN ASSOCIATES (Continued)

During the year, the Group has disposed of 1.3198% equity interest of Petro-king Huizhou to certain independent third parties at consideration of RMB8,000,000 in aggregate. Pursuant to the equity transfer agreement, the Group granted a buy-back option to the relevant purchasers, such that the purchasers has the right to request the Group to buy back such 1.3198% equity interest in Petro-king Huizhou in cash, at the repurchase price based on an agreed formula and subject to the terms and conditions of the equity transfer agreement.

In addition, Petro-king Huizhou has completed certain capital increase during the year whereby the Group's shareholding interest in Petro-king Huizhou was decreased from approximately 32.7321% as at 31 December 2022 to approximately 28.4469% as at 31 December 2023. For the year ended 31 December 2023, gain on disposal of interests in associates of approximately HK\$3,645,000 and gain on dilution of interests in associates of approximately HK\$10,318,000 (2022: HK\$374,000) 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:

	2023 HK\$'000	2022 HK\$'000
<b>As at 31 December</b>		
Current assets	339,886	264,418
Non-current assets	204,718	210,393
Current liabilities	(202,622)	(193,713)
Non-current liabilities	(23,617)	(56,219)
<b>Net assets</b>	<b>318,365</b>	<b>224,879</b>
<b>Group's share of net assets of associates</b>	<b>90,565</b>	<b>73,603</b>
	2023 HK\$'000	2022 HK\$'000
Revenue	227,685	186,311
Expenses	(190,545)	(174,906)
<b>Profit for the year</b>	<b>37,140</b>	<b>11,405</b>
<b>Other comprehensive income</b>	<b>351</b>	<b>5,678</b>
<b>Total comprehensive income</b>	<b>37,491</b>	<b>17,083</b>
<b>Group's share of net profits of associates</b>	<b>8,669</b>	<b>3,639</b>

For the year ended 31 December 2023, the Group had purchases of oilfield project tools of approximately HK\$16,327,000 (2022: HK\$12,419,000) from associates.

## 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:

	2023 HK\$'000	2022 HK\$'000
Net book amount ( <i>Note 16</i> )	684	23,749
Gain/(loss) on disposals of property, plant and equipment ( <i>Note 11</i> )	4,798	(2,944)
Proceeds from disposal of property, plant and equipment	5,482	20,805

### (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\$379,000 (2022: HK\$437,000) and lease modification of right-of-use assets of approximately HK\$400,000 (2022: HK\$3,569,000) during the year ended 31 December 2023 (*Note 18*); and
- Additions of property, plant and equipment with a carrying amount of approximately HK\$75,294,000 were financed by instalment loans during the year ended 31 December 2022 (*Note 25(b)(ii)*).

### (c) Net debt reconciliation

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents ( <i>Note 23</i> )	26,294	39,959
Restricted bank deposits ( <i>Note 23</i> )	5,315	–
Other payables – related parties ( <i>Note 24(b)</i> )	(16,442)	(6,068)
Bank and other borrowings ( <i>Note 25</i> )	(187,061)	(227,351)
Lease liabilities ( <i>Note 18(a)</i> )	(2,892)	(3,794)
	(174,786)	(197,254)

## 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 2023 and 2022 are as follows:

	Other assets			Liabilities from financing activities							Total
	Cash and cash equivalents	Restricted bank deposits	Pledged bank deposits	Other payables – related parties	Lease liabilities	Bank and other borrowings – bank	Bank and other borrowings – other	Bank and other borrowings – bondholders' Bonds	Bank and other borrowings – 2020 Bonds		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>As at 1 January 2022</b>	26,477	-	969	(64)	(1,890)	(62,383)	(107,277)	(12,000)	(3,600)	(159,768)	
Financing cash flows	-	-	-	(6,001)	2,059	(1,033)	17,731	12,000	3,750	28,506	
Investing cash flows	-	-	(946)	-	-	-	-	-	-	(946)	
Increase in cash and cash equivalents	17,771	-	-	-	-	-	-	-	-	17,771	
Foreign exchange adjustments	(4,289)	-	(23)	(3)	43	5,284	1,217	-	-	2,229	
Interest paid under operating cash flows	-	-	-	-	170	3,954	5,651	630	253	10,658	
Other non-cash movements (Note)	-	-	-	-	(4,176)	(3,954)	(86,541)	(630)	(403)	(95,704)	
<b>As at 31 December 2022</b>	<b>39,959</b>	<b>-</b>	<b>-</b>	<b>(6,068)</b>	<b>(3,794)</b>	<b>(58,132)</b>	<b>(169,219)</b>	<b>-</b>	<b>-</b>	<b>(197,254)</b>	
Financing cash flows	-	-	-	(10,532)	1,638	(3,316)	41,703	-	-	29,493	
Operating cash flows	-	5,315	-	-	-	-	-	-	-	5,315	
Decrease in cash and cash equivalents	(14,596)	-	-	-	-	-	-	-	-	(14,596)	
Foreign exchange adjustments	931	-	-	158	43	833	1,070	-	-	3,035	
Interest paid under operating cash flows	-	-	-	-	250	4,375	9,618	-	-	14,243	
Other non-cash movements (Note)	-	-	-	-	(1,029)	(4,375)	(9,618)	-	-	(15,022)	
<b>As at 31 December 2023</b>	<b>26,294</b>	<b>5,315</b>	<b>-</b>	<b>(16,442)</b>	<b>(2,892)</b>	<b>(60,615)</b>	<b>(126,446)</b>	<b>-</b>	<b>-</b>	<b>(174,786)</b>	

Note:

For the year ended 31 December 2023, other non-cash movements include addition of lease liabilities, lease modification, accrued interest expenses of lease liabilities and bank and other borrowings.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2023 and 2022, and balances arising from related party transactions as at 31 December 2023 and 2022.

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. Huang Yu	Director
Mr. Wong Shiu Kee	Director
Mr. Leung Lin Cheong	Director
Mr. Tong Hin Wor	Director
Mr. Xin Junhe	Director
Mr. Zhang Dawei	Director
Mr. Chan Kwok Yuen Elvis	Senior management
Mr. Wang Xingkai	Close family member of Mr. Wang JinLong
Petro-king Huizhou	Associate of the Company
Star Petrotech	Wholly-owned subsidiary of Petro-king Huizhou

#### (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.

	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term employee benefits	5,392	4,708
Share-based payments	641	243
	<b>6,033</b>	4,951

### 33. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

	Notes	2023 HK\$'000	2022 HK\$'000
Loan receivables from related parties (Note 21(b))			
– Associates	(i)	17,742	46,030
Amounts due from related parties (Note 21(b))			
– Associates	(ii)	834	42
– Close family member of Mr. Wang JinLong	(ii)	30	–
		864	42
Amounts due to related parties (Note 24(b))			
– Associates	(iii)	(15,884)	(5,954)
– Directors	(iv)	(533)	(78)
– Senior management	(iv)	(25)	(36)
		(16,442)	(6,068)

### 33. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties (Continued)

*Notes:*

- (i) As at 31 December 2023, the balance represented an irrevocable revolving loan facility granted to Star Petrotech with outstanding amount of approximately US\$2,270,000 (equivalent to approximately HK\$17,742,000). Such loan facility is secured by personal guarantee and bear interest at 7% per annum, and the outstanding balance shall be repaid on or before 31 December 2024. Subsequent to 31 December 2023, Star Petrotech has repaid US\$850,000.

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

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

For the year ended 31 December 2023, the respective interest income of all above loan facilities amounted to approximately HK\$2,875,000 (2022: HK\$3,768,000).

- (ii) The balances are unsecured, interest-free and repayable on demand.
- (iii) The balance is in trade nature with a credit term of 60 days.
- (iv) The balances mainly comprise of expenses paid on behalf by the 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 2023 and 2022, 百勤石油(深圳)有限公司 (Petro-king Oil (Shenzhen) Co., Ltd.\*) (“**Petro-king Shenzhen**”) has provided corporate guarantees for certain banking facilities granted to Petro-king Huizhou which were secured by properties held by Petro-king Huizhou. As at 31 December 2023, the Group’s maximum exposure of the principal amount under the corporate guarantee for banking facilities granted to Petro-king Huizhou limited to the Petro-king Shenzhen’s proportion was approximately RMB15,077,000 (equivalent to approximately HK\$16,637,000) (31 December 2022: approximately RMB20,947,000) of which approximately RMB15,077,000 (equivalent to approximately HK\$16,637,000) (31 December 2022: approximately RMB12,545,000) was utilised by Petro-king Huizhou. For the year ended 31 December 2023, the financial guarantee income was approximately HK\$163,000 (31 December 2022: approximately HK\$223,000) 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 Huizhou. In the opinion of the Directors, no provision for the obligation of the Group under corporate guarantees have been made as the banking facilities granted to Petro-king Huizhou were fully covered by the secured properties.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2023 and 2022 were as follows:

	2023 HK\$'000	2022 HK\$'000
Bank and other borrowings (Note 25)	187,061	227,351
Lease liabilities (Note 18)	2,892	3,794
Less:		
Cash and cash equivalents (Note 23)	(26,294)	(39,959)
Restricted bank deposits (Note 23)	(5,315)	–
Net debt	158,344	191,186
Total equity	191,155	261,735
Total capital	349,499	452,921
Gearing ratio	45.3%	42.2%

## 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 2023, 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\$362,000 lower/higher (2022: HK\$340,000 lower/higher) as a result of foreign exchange gains or losses on translation of US\$ denominated net financial assets.

At 31 December 2023, 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\$4,878,000 lower/higher (2022: HK\$5,376,000 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. As at 31 December 2022 and 2023, there was no bank and other borrowings at variable rates.

#### (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).

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.

## 35. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk (Continued)

#### (i) Risk management (Continued)

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. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 75% (2022: 78%) and 16% (2022: 15%) 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 2023, the expected credit losses rate is determined as follows:

Trade receivables as at 31 December 2023	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	–	–	–	6,494	13,879	20,373
Loss allowance	–	–	–	(2,816)	(8,117)	(10,933)
	–	–	–	3,678	5,762	9,440
Collectively assessed:						
Expected loss rates	2%	23%	44%	73%	–	
Gross carrying amount – trade receivables	194,009	6,913	763	55	–	201,740
Loss allowance	(3,474)	(1,616)	(338)	(40)	–	(5,468)
	190,535	5,297	425	15	–	196,272
Net carrying amount – trade receivables	190,535	5,297	425	3,693	5,762	205,712

As at 31 December 2023, the balances of contract assets come from the customers conducted business in the PRC.

Contract assets as at 31 December 2023	Total HK\$'000
Expected loss rates	2%
Gross carrying amount – contract assets	122,357
Loss allowance	(2,290)
Net carrying amount – contract assets	120,067

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2022, the expected credit losses rate is determined according to a provision matrix as follows:

Trade receivables as at 31 December 2022	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	–	–	922	163	5,263	6,348
Loss allowance	–	–	(429)	(163)	(5,263)	(5,855)
	–	–	493	–	–	493
Collectively assessed:						
Excepted loss rates	2%	18%	20%	31%	33%	
Gross carrying amount – trade receivables	207,993	8,492	200	4,134	9,386	230,205
Loss allowance	(4,096)	(1,546)	(39)	(1,293)	(3,072)	(10,046)
	203,897	6,946	161	2,841	6,314	220,159
Net carrying amount – trade receivables	203,897	6,946	654	2,841	6,314	220,652

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

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

## 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 2023, the Group's allowance for impairment of other receivables approximate to HK\$33,972,000 (2022: HK\$33,908,000) 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 reported a net loss of approximately HK\$74,737,000 during the year ended 31 December 2023, and as of the date, the Group had total current bank and other borrowings of approximately HK\$101,951,000, while the Group only had cash and cash equivalents of approximately HK\$26,294,000.

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 covering the next fifteen months from the end of reporting period. In preparing the Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and also have taken account of the following plans and measures summarised in Note 3(b)(ii) to the consolidated financial statements.

## NOTES 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
<b>At 31 December 2023</b>					
Trade payables	222,673	–	–	–	222,673
Other payables and accruals	96,109	–	–	–	96,109
Financial liabilities at FVTPL	–	–	1,454	–	1,454
Bank and other borrowings and interest payments	108,562	75,278	16,389	–	200,229
Lease liabilities and interest payments	1,873	1,196	–	–	3,069
	<b>429,217</b>	<b>76,474</b>	<b>17,843</b>	<b>–</b>	<b>523,534</b>
<b>At 31 December 2022</b>					
Trade payables	243,720	–	–	–	243,720
Other payables and accruals	76,885	–	–	–	76,885
Bank and other borrowings and interest payments	103,847	112,057	33,451	–	249,355
Lease liabilities and interest payments	1,759	1,490	932	–	4,181
	<b>426,211</b>	<b>113,547</b>	<b>34,383</b>	<b>–</b>	<b>574,141</b>

## 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
<b>At 31 December 2023</b>	85,714	101,317	16,389	–	203,420
<b>At 31 December 2022</b>	57,886	163,915	33,451	–	255,252

## 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:

	2023 HK\$'000	2022 HK\$'000
<b>Assets as per consolidated statement of financial position</b>		
<b>Financial assets at amortised cost</b>		
Trade receivables (Note 21(a))	205,712	220,653
Other receivables and deposits	43,818	75,901
Cash and cash equivalents (Note 23)	26,294	39,959
Restricted bank deposits (Note 23)	5,315	–
<b>Financial assets at fair value</b>		
Financial asset at FVTPL (Note 19(a))	8,493	6,170
Total	289,632	342,683
<b>Liabilities as per consolidated statement of financial position</b>		
<b>Financial liabilities at amortised cost</b>		
Trade payables (Note 24(a))	222,673	243,720
Other payables and accruals	96,109	76,885
Bank and other borrowings (Note 25)	187,061	227,351
Lease liabilities (Note 18(a))	2,892	3,794
<b>Financial liabilities at fair value</b>		
Financial liabilities at FVTPL (Note 19(b))	1,454	–
Total	510,189	551,750

### 37. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value at 31 December 2023 and 2022, 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).

	<b>Level 3</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Asset</b>		
Financial asset at FVTPL		
– listed equity investment ( <i>Note 19(a)</i> )	<b>8,493</b>	6,170
<b>Liability</b>		
Financial liabilities at FVTPL		
– buy-back options ( <i>Note 19(b)</i> )	<b>1,454</b>	–

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37. FAIR VALUE ESTIMATION (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2023 and 2022.

#### (a) Assets

	2023 HK\$'000	2022 HK\$'000
At 1 January	6,170	8,587
Deregistration of financial asset at FVTPL	–	(2,245)
Gain on deregistration	–	19
Change in fair value	2,431	131
Exchange difference	(108)	(322)
At 31 December	8,493	6,170
Total gains for the year included in profit or loss for the year (Note 11)	2,431	150

#### (b) Liabilities

	2023 HK\$'000	2022 HK\$'000
At 1 January	–	–
Addition	1,545	–
Change in fair value	(171)	–
Exchange difference	80	–
At 31 December	1,454	–
Total gain for the year included in profit on loss for the year (Note 11)	171	–

## 38. EVENTS AFTER THE REPORTING PERIOD

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

- (a) On 2 January 2024, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with an independent third party (the “**Purchaser**”) to dispose of 0.7752% equity interest in Petro-king Huizhou for a consideration of RMB5.0 million (the “**Equity Transfer**”). Pursuant to the Equity Transfer Agreement, the Group granted a buy-back option to the Purchaser, such that the Purchaser has the right to request the Group to buy back such 0.7752% equity interest in Petro-king Huizhou in cash, at the repurchase price based on an agreed formula and subject to the terms and conditions of the Equity Transfer Agreement. Further details of the Equity Transfer were set out in the Company’s announcement dated 2 January 2024.
  
- (b) As disclosed in Note 24(a)(i), in January 2024, an indirectly wholly-owned subsidiary of the Company (the “**Defendant**”) has been served with 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 a writ of summon (the “**Writ**”), a service provider of the Defendant (the “**Plaintiff**”), claim 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**”). Two bank accounts of the Defendant with aggregate bank balances of approximately RMB7.4 million (Note 23) have been frozen by the Court pending the outcome of the litigation.

After consultation with the PRC legal advisor, the Directors considered the respective accrued technical service fees provided were adequate as at 31 December 2023.

Further details of the Claim were set out in the Company’s announcement dated 29 January 2024.

\* For identification purpose only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39. SUBSIDIARIES

As at 31 December 2023 and 2022, 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 Service Ltd.)	The PRC, Limited liability company (wholly foreign owned enterprise) 28 August 2013	Registered capital of RMB10,000,000	–	80%	Trading of tools and equipment and provision of engineering and technical services in the PRC
Petro-king Group Middle East Corporation FZCO	The United Arab Emirates, Limited liability company 9 June 2014	100 shares of AED 1,000 each	–	100%	Trading of oilfield tools and equipment in the Middle East
百勤石油(深圳)有限公司 (Petro-king Shenzhen)	The PRC, Limited liability company 8 November 2013	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC